Supreme Court, U.S.
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No. _____

IN THE

Supreme Court of the United States

October Term, 1996

MICHIGAN DOCUMENT SERVICES, INC., AND JAMES M. SMITH,

Petitioners,

vs.

PRINCETON UNIVERSITY PRESS, MACMILLAN, INC., AND ST. MARTIN'S PRESS, INC.,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Sixth Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

A. WHERE THE COPYRIGHT ACT IDENTIFIES THE FAIR USE OF A COPYRIGHTED WORK AS INCLUDING THE MAKING OF "MULTIPLE COPIES FOR CLASSROOM USE" FOR TEACHING PURPOSES, DO TEACHERS AND STUDENTS LOSE THEIR RIGHTS OF FAIR USE WHEN THEY ASK A COMMERCIAL COPYSHOP TO MAKE THEIR CLASSROOM COPIES FOR THEM, AS HELD BY A CLOSELY-DIVIDED, *EN BANC* U.S. COURT OF APPEALS FOR THE SIXTH CIRCUIT?

B. IS A COPYRIGHT OWNER LEGALLY INJURED WHEN IT DOES NOT RECEIVE PERMISSION FEES IT DEMANDS FOR CERTAIN USES OF A WORK, INCLUDING FAIR USES, AS HELD BY A CLOSELY-DIVIDED, *EN BANC* U.S. COURT OF APPEALS FOR THE SIXTH CIRCUIT?

PARTIES TO THE PROCEEDINGS

The parties to the proceedings are those identified in the caption. Petitioner Michigan Document Services, Inc. is wholly-owned by Petitioner James M. Smith, and has no related business entities.

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Other References:

Pierre N. Leval, *Campbell v. Acuff-Rose: Justice Souter's Rescue of Fair Use*, 13 Cardozo Arts & Ent. L.J. 19 (1994) 23

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PETITION FOR WRIT OF CERTIORARI

Petitioners Michigan Document Services, Inc. and James M. Smith respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Sixth Circuit.

Opinions Below

The district court opinion is reported at 855 F. Supp. 905 (E.D. Mich. 1994) and reproduced in Appendix C, 108a - 126a. The opinion of the *en banc* U.S. Court of Appeals for the Sixth Circuit is reported at 99 F.3d 1381 (6th Cir. 1996) and reproduced in Appendix A, 1a - 74a. The original panel opinion of the Court of Appeals was reported at 74 F.3d 1512 (6th Cir. 1996), has been withdrawn, and is reproduced in Appendix B, 75a - 107a.

Statement of Jurisdiction

The United States Court of Appeals for the Sixth Circuit issued its *en banc* opinion on November 8, 1996. No rehearing was sought. This Court's jurisdiction is based upon 28 U.S.C. § 1254(1).

Constitutional and Statutory Provisions Involved

U.S. Const. art. I, § 8, cl. 8 states:

The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Sections 106 and 107 of the Copyright Act of 1976, 17 U.S.C. §§ 106 and 107, state:

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

* * *

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include —

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

* * *

STATEMENT OF THE CASE

Petitioner Michigan Document Services, Inc. ("MDS") provides photocopying services to professors and students. Petitioner James M. Smith is the sole shareholder and president of MDS. Respondents are publishers who own copyrights in the six works at issue. Excerpts of those six works were selected by three University of Michigan professors who assigned them to their students as classroom reading materials. The professors brought the reading assignments to MDS and requested copies for their students. The students picked up their personal copies from MDS and paid a per-page copying charge.

Respondents filed a copyright infringement action against Petitioners in February, 1992, claiming that Petitioners could not photocopy the six excerpts on behalf of professors and students without first asking permission of Respondents and paying fees to Respondents. Petitioners responded that their actions were protected by the fair use provision of the Copyright Act, which identifies the fair use of a copyrighted work to include the making of "multiple copies for classroom use" for "teaching" purposes. MDS's photocopying services simply assisted the professors and students in their educational use of the excerpts.

Professors' Creation of Coursepacks

Although Respondents brought this suit in 1992, the practice they challenge has been longstanding and widespread among university professors and students — the use of commercial photocopying services to make copies of their classroom materials without the payment of permission fees.

Professors are responsible for determining the classroom reading materials for their courses. When they believe books are appropriate, they assign books for purchase by their students. JA 1231-85.[1] They also may assign supplemental reading materials, such as journal and newspaper articles, course notes, syllabi, sample test questions, and excerpts from books. JA 1218, 1259, 3070. For example, Professor Michael Dawson, who selected an excerpt at issue in this case, selected nine books and 30 excerpts from a wide variety of disciplines for his course "Black Americans and the Political System." JA 1232. Excerpts are used to develop students' interest in a particular aspect of the subject matter, expose them to a variety of ideas, provide depth in a particular discipline, and keep course materials current. JA 1218-56.

After professors select and organize the supplemental materials, they deliver them to a copyshop, such as MDS, and request copies for their students. At the professors' direction, the copyshop makes the copies and

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[1]All "JA" references are to pages in the Joint Appendix filed with the Sixth Circuit. For the Court's convenience, the affidavits of the three University of Michigan professors who selected the excerpts at issue are reproduced in Appendix D.

binds them together with a table of contents into a "coursepack." JA 3070. Coursepacks are not books. They are the semester's assigned supplemental readings, bound together for the convenience of the students.[2] These readings are unique, representing personal selections by a particular professor for use by students enrolled in a specific course.

The excerpts in this case were selected and used in just this way. Three University of Michigan professors brought MDS the classroom reading materials they selected, including the excerpts at issue, and requested copies for their students. MDS made the copies per the professors' instructions. The students picked up their coursepacks and paid MDS for its copying services. The students could have copied the excerpts themselves at the library's reserve reading room, but at twice the per-page price of MDS. The publishers charge no permission fees when students do their own copying at the library.

MDS did not select the coursepack materials and did not offer the professors any economic incentive to choose its photocopying service. JA 1214. MDS did not sell coursepacks to the public. App. C at 110a. Thus, the relationship among the professors, MDS, and the students was a closed loop — the professors and students simply

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[2]Professors find that students who have their own copies of the assigned readings are more likely to read the assignments and are better prepared to discuss the assignments in class. JA 1204. Students with their own copies of the reading assignments are able to annotate relevant portions and study the assignments at a time and place convenient for them. JA 1220-21.

requested that MDS perform the copying they otherwise would have done themselves.

Nationwide Impact of *Kinko's*

In 1991, a district court decision cast doubt upon the longstanding practice of copyshops providing printing services to professors and students. *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991) ("*Kinko's*") held that a copyshop violated publishers' copyrights when it made copies of course materials without paying fees to the publishers. Based on that district court decision, Respondents' trade group warned colleges and copyshops throughout the country that copyright law prohibits the making of coursepacks for students and professors unless the publishers first give permission (on whatever terms they choose), and unless copying fees are paid (at whatever rates they demand).

As a result, nonprofit educational institutions nationwide, as well as copyshops and their student-customers, now pay significant sums to publishers under systems established to charge for the photocopying of excerpts for classroom use. For example, MDS's total copying charges for the three coursepacks containing the excerpts at issue was $107.35; yet the coursepacks would have cost $703.95 under Respondent MacMillan's permission fee system. Some excerpts would not have been available at any price because MacMillan would have refused permission. App. A at 14a.

Believing *Kinko's* to be inconsistent with this Court's decisions and the Copyright Act, Petitioner Jim

Smith refused to charge students and professors the fees demanded by Respondents.[3] Consequently, he was sued.

The Decisions Below

In June, 1994, the District Court for the Eastern District of Michigan granted Respondents' motion for summary judgment as to willful copyright infringement. The court awarded Respondents $30,000 in damages and, by a later order, $326,000 in attorneys' fees. The court enjoined Petitioners from copying any portion of Respondents' current or future copyrighted publications. App. C.

On appeal, a panel of the Sixth Circuit Court of Appeals reversed the district court, finding MDS's photocopying services to professors and students to be part of a fair use, and ordering that summary judgment be entered for Petitioners. App. B. The panel majority held that the use of the excerpts was a "classroom use" under § 107 of the Copyright Act because students and professors used the excerpts, while MDS efficiently assisted the users by performing only the ministerial act of copying assigned classroom readings. *Id.* at 88a-90a.

The panel stressed that Respondents never challenged the students' and professors' rights to make copies of the excerpts at issue. *Id.* at 89a. Respondents neither alleged nor demonstrated any harm to the market for the original works or for derivative works. *Id.* at 94a-95a. Respondents' sole claim of injury was that they did

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[3]This view is shared by the eleven copyright scholars who signed an *amicus* brief on behalf of Petitioners in the proceedings below.

not receive the fees they desired to charge MDS for copying classroom readings for students and professors. The panel rejected that claim as circular, determining that the entitlement (or not) to such fees was precisely the issue to be decided by the court. *Id.* at 95a. The panel also noted that use of excerpts promoted access to works without harming markets for the works, increased authors' incentives to create new works, and benefitted authors, students, professors, and publishers. *Id.* at 96a-97a.

The Court of Appeals subsequently granted Respondents' motion for reconsideration and rehearing *en banc*, and ruled 8-5 against fair use. The majority found the selection of the excerpts by the professors and the classroom use by the students to be irrelevant to the fair use inquiry because the professors and students were not named as defendants. App. A at 8a. It adopted a theory of market harm under which a copyright owner is "injured" when it is not paid for uses for which it wishes to charge, even though it can show no harm to the market for the original work or derivative works. *Id.* at 11a-14a. The five judges dissenting from the *en banc* decision agreed with the original panel of the Court of Appeals that MDS's photocopying services could not be analyzed apart from the classroom use by the professors and students, and was a fair use.

The *en banc* majority reversed the district court's finding of willfulness, noting that with one appellate victory, five dissenting *en banc* judges, and three dissenting opinions, Petitioners were not willful infringers. The Court of Appeals vacated the award of damages and remanded for re-determination in light of the absence of willfulness, and affirmed entry of a permanent injunction against Petitioners. *Id.* at 23a-25a.

REASONS FOR GRANTING THE WRIT

Fair use is a constitutional counterweight to the privileges granted to copyright owners. Article I, § 8, cl. 8 of the Constitution grants Congress the power to enact copyright law but requires that copyright serve the public interest. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 526 (1994). One way in which the Copyright Act fulfills this constitutional purpose is through the right of fair use. *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 549-50 (1985).

This case squarely presents the most fundamental questions in a copyright fair use case. Whose use of a copyrighted work is the proper subject of a court's fair use inquiry? May fair users ask a commercial enterprise to make their copies without losing their right of fair use? Is a copyright owner harmed when it does not receive fees it demands for certain uses, including fair uses?

The analysis used by the *en banc* majority to answer these questions cannot be reconciled with the plain language of the Copyright Act or this Court's copyright jurisprudence. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994); *Fogerty, supra*; *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991); *Harper & Row, supra*; *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). The *en banc* majority's fair use analysis eliminates fair use where owners decide to charge for such uses and commercial enterprises assist the users.

This departure from this Court's precedents jeopardizes the "First Amendment protections" embodied in the Copyright Act. *Harper & Row*, 471 U.S. at 559-60.

This Court has noted that fair use embodies First Amendment protections necessary to an educated and informed society. *Id.* The enumerated fair uses in § 107 — "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research" — reflect these First Amendment values.

This case has generated seven opinions, with four in favor of fair use. There is profound disagreement as to how to identify the user of the work, the legal relevance of the students' and professors' use of commercial printing services, and the relevance of the publishers' desire to charge fees for the making of multiple copies for classroom use. In its closely-divided decision, the *en banc* court characterized fair use as "one of the most unsettled areas of the law," and acknowledged that the strong dissents demonstrated "[t]he potential for reasonable disagreement." App. A at 24a.

Indeed, over twenty years ago this Court split 4-4 in a fair use case rejecting similar demands by copyright owners for fees for the photocopying of scholarly articles for researchers. *Williams & Wilkins Co. v. United States,* 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided court,* 420 U.S. 376 (1975). Fifteen years later, *Kinko's* held that publishers may demand fees for the copying of classroom reading materials, a decision found persuasive by the district court below. App. C at 121a. This Court's subsequent decision in *Campbell* soundly repudiated the *Kinko's* analysis. *See infra* at 24. The Sixth Circuit panel found *Campbell* directly applicable, ruling that MDS's services to students and professors were part of a fair use. Notwithstanding *Campbell*, the *en banc* majority adopted the *Kinko's* analysis and ruled against fair use.

In short, the lower courts are uncertain as to *Campbell's* relevance to educational fair use, and as to the meaning of the phrase "multiple copies for classroom use" in the Copyright Act. Although judges are deeply divided, the effect of the *en banc* decision on educational fair use is certain. Because the decision cements the district court ruling in *Kinko's*, it effectively decides the issue left unresolved by this Court in *Williams & Wilkins*. Thus, the educational community will treat it as an authoritative statement of the limits of educational fair use.[4]

The "broad consequences," App. A at 29a (Merritt, J., dissenting), of the *en banc* decision will "hinder scholastic progress nationwide." *Id.* at 28a (Martin, C.J., dissenting). This Court's review is necessary to resolve fundamental questions of copyright law and to affirm the vitality of educational fair use.

A. The Sixth Circuit's Theory Of Market Harm Departs From This Court's Decisions And The Plain Language Of The Copyright Act.

The *en banc* majority held that copyright owners are legally injured when they do not receive fees they wish to charge for the copying of excerpts for classroom use, even though the use of the excerpts does not harm the markets for the original work or derivative works, and the owner alleges no harm to those markets. App. A at 11a-14a.

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[4]Participation at the appellate level by *amici* copyright scholars, library associations, the Attorney General of the State of Georgia, school board associations, school administrators, school districts, publishers, authors, and others underscores the importance of this case to the educational community.

This ruling radically departs from this Court's precedents, the plain language of the Copyright Act, and the purpose of copyright law.

Congress granted copyright owners certain rights. 17 U.S.C. § 106. Those rights are limited in nature, purely statutory, and subject to the right of fair use. *Sony,* 464 U.S. at 432-33. Certain uses of works are outside the rights of owners; in particular, no owner may control fair use. *Id.* at 433. This balance between owners and users ensures that copyright fulfills its constitutional purpose to benefit the public. *Campbell,* 510 U.S. at 575. This statutory balance should not be recalibrated by courts; rather, "[s]trict adherence to the language and structure of the [Copyright] Act is particularly appropriate where, as here, a statute is the result of a series of carefully crafted compromises." *Community for Creative Non-Violence v. Reid,* 490 U.S. 730, 748 n.14 (1989).

The Copyright Act declares that a fair use is "not an infringement of copyright," and gives guidance to owners, users, and courts as to the types of uses that are likely to further the purpose of copyright law. 17 U.S.C. § 107. Such fair uses of copyrighted works include "reproduction in copies . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research." *Id.* The public benefit purpose of copyright is evident from these enumerated uses, and is fostered by students' and professors' ability to readily obtain their fair use copies.

Section 107 creates no presumptions of fair use or infringement. Instead, it directs courts to consider a number of factors in deciding whether a particular use of a copyrighted work is fair. One factor requires courts to

"assess[] the likelihood of significant market harm," *Campbell,* 510 U.S. at 590, by considering "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4).

The plain language of § 107 dictates that the making of multiple copies for classroom use sometimes will be a fair use. In such cases, a demand for fees is irrelevant to a market harm analysis because "[i]f the use is otherwise fair, then no permission need be sought or granted." *Campbell,* 510 U.S. at 585 n.18. Thus, the mere *demand* for copying fees can never be dispositive as to whether owners are *entitled* to charge such fees. If it were, owners could claim entitlement to charge for "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research." § 107.

This Court has stated that the proper markets to consider in a market harm analysis are the markets for the original work and for derivative works. *Campbell,* 510 U.S. at 590-92; *Harper & Row*, 471 U.S. at 568. These markets flow from the rights granted by Congress to copyright owners — the rights to reproduce the work and to prepare derivative works. 17 U.S.C. § 106(1) and (2).

The *en banc* majority did not confine its market harm analysis to this statutory framework. It found, instead, that owners also control the market for making multiple copies of excerpts for classroom use, and that owners are legally harmed when they do not receive fees they demand for such uses. The court reached this conclusion by characterizing the photocopying services of MDS as a "potential market" for copyright owners, and using § 107's reference to "the potential market for . . . the copyrighted work" as a source of rights of owners.

App. A at 10a, 13a. In short, the *en banc* majority took language from a statutory *limitation* on copyright owners, § 107, and created an exclusive *right* of owners not granted to them by Congress in § 106.

While the photocopying of an excerpt in some circumstances could harm the market for the original work or for derivative works, this case presents neither allegations nor proof of such harm. The *en banc* court's market harm analysis rested solely on Respondents' demand for copying fees. Without allegations or proof of harm, however, those fees are irrelevant to legal injury, as were the licensing fees for the use of telephone listings in *Feist,* the parody licensing revenues in *Campbell,* and the fees for home videotaping in *Sony*.[5]

This Court recognizes that licensing fees for the "potential market" are relevant to market harm only when the license is for a derivative work. *See, e.g., Harper & Row,* 471 U.S. at 567-68 (serialization rights of a book); *Stewart v. Abend,* 495 U.S. 207, 228-30 (1990) (television, motion picture, and dramatic adaptations of a literary work); *Campbell,* 510 U.S. at 590 (nonparody, "rap" adaptation of a musical work). Thus, an owner cannot control a use simply by characterizing that use as a "potential market" and deciding to charge for it. This Court routinely rejects attempts by owners to expand the

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[5]The system of permission fees at issue here is completely different from licensing systems for public performance rights, such as those administered by organizations such as ASCAP and BMI. Performing rights organizations exist to administer a right expressly granted by Congress to copyright owners in 17 U.S.C. § 106(5). There is no corresponding right to control the copying of excerpts.

scope of their exclusive rights. *Sony,* 464 U.S. at 431 ("The judiciary's reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme.").

The dissenting *en banc* judges criticized the majority's acceptance of the publishers' argument that they are "harmed" when they do not receive the very fees at issue. "[W]e should not validate that practice by now using the income derived from it to justify further imposition of fees." App. A at 36a (Merritt, J). The publishers' argument was flawed and circular because it assumed, as its premise, the conclusion that the publishers were entitled to the fees they sought. Such an argument would "*always* yield a conclusion that the market had been harmed because *any* fees that a copyright holder could extract from a user" could be claimed to be "lost" regardless of whether the use were fair or infringing. *Id.* at 63a (Ryan, J.). The dissenting judges understood that the issue was not whether the publishers had set up a system to charge for classroom copying, or how well or poorly it functioned, but whether the publishers were legally entitled to control the challenged use.

The fair use analysis of the *en banc* majority shifts the focus from the allocation of rights in the Copyright Act to an inquiry as to whether the owner desires to charge for the use at issue. It converts the right to make a fair use of a copyrighted work — a right reserved by Congress to the public — into a prohibition against such use without prior permission and payment of fees. Lower courts have

applied this flawed market harm analysis[6] and will find further encouragement in the decision below.

Thus, lower courts need direction from this Court as to how they should identify the markets for which permission fees are the lawful province of owners and those markets which are outside their control. Without this guidance, courts will regard an owner's permission system as dispositive evidence of legal injury, thereby defeating the congressional grant of fair use and preventing the Copyright Act from fulfilling its constitutional purpose.

B. The Sixth Circuit Limited Congress' Grant Of Fair Use By Identifying The Named Defendant As The Only Relevant User.

At the outset of any fair use inquiry a court must correctly identify the user of the copyrighted work at issue. The user is central to a proper analysis of "the purpose and character *of the use,*" "the amount and substantiality *of the portion used,*" and "the effect *of the use* upon the potential market for . . . the copyrighted work." 17 U.S.C. § 107 (emphasis added). The *en banc* majority confused the identity of the defendant with the identity of the user, thus shifting the fair use analysis away from the true user and dramatically restricting the congressional grant of fair use.

Section 107 identifies the making of "multiple copies for classroom use" for "teaching" purposes as typical of fair use. By directly linking the *use* of the excerpts with the *classroom* and *teaching* activities, the

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[6]*See, e.g., American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 929-31 (2d Cir. 1995); *Kinko's*, 758 F. Supp. at 1534.

plain language of the Copyright Act directs a court's fair use inquiry to the activities of the students and professors. However, the *en banc* majority did not analyze the use of the excerpts by the students and professors because "the use of the materials by the students is not the use that the publishers are challenging." App. A at 8a. Thus, the majority's fair use analysis was dictated by Respondents' strategic selection of the commercial copyshop as the named defendant.

Once the *en banc* majority isolated the mechanical activity of making copies from the actual use of those copies, it saw only a company making money by copying pages of books. *Id.* Yet "[n]either the language of section 107 nor simple common sense warrant examining the production of multiple copies in a vacuum and ignoring their educational use." App. A at 47a (Ryan, J., dissenting). "[MDS] does not 'use' the material independent of the university professors' and students' use; it is a participant in their use and its profits are derived only from photoreproduction services the students pay it to perform." *Id.* at 50a.

By recognizing the professors and students as the true users, Judge Ryan correctly saw the use at issue as nonprofit and educational. "[T]he use that is to be evaluated for fairness in this case is the use to which the protected *substantive* text is put, not the mechanical process of copying it." *Id.* at 47a (Ryan, J., dissenting). "The professors and students clearly do *use*" Respondents' copyrighted material, but do so for a nonprofit purpose expressly recognized in § 107. *Id.* at 51a-52a.

A focus on the defendant rather than the user allows a copyright owner to strategically name as a defendant only

the commercial service provider assisting in the fair use (typically a printer or manufacturer of tangible media, such as audiotapes, videotapes, or compact discs). As a result, a court will misperceive even an educational, nonprofit use as a commercial use. This Court rejected such a strategy in *Sony,* where it examined the use of the work by the home viewers even though they were not before the Court. *Sony,* 464 U.S. at 422 n.2, 434.

This Court's most recent fair use decision illustrates the danger of limiting the fair use inquiry to the named defendant. Suppose the copyright owner in *Campbell* had sued only the record manufacturer of the "Pretty Woman" parody, and not the user of the work, 2 Live Crew. Under the formulation of the *en banc* majority, a court would disregard the parodic purpose and transformative nature of the use and focus solely on the mechanical act of reproducing the records, which had only a commercial purpose. MDS provides the users of the excerpts the same mechanical reproduction services as did the record manufacturer for 2 Live Crew. *Campbell* shows that the correct focus is on the use of the excerpts by the professors and students.

A failure to correctly identify the user precipitates other serious analytical flaws in all fair use cases involving duplication. For example, once the *en banc* majority isolated the act of copying the excerpts from their educational use, it declared that photocopying was not a "productive" use. Yet this Court has recognized that copying can be productive in the context of education: "A teacher who copies to prepare lecture notes is clearly productive. But so is a teacher who copies for the sake of broadening his personal understanding of his specialty."

Sony, 464 U.S. at 455 n.40. The productive nature of a use is not evident if the copying is viewed in isolation.

Moreover, by insisting that a fair use go beyond reproduction of printed matter, the *en banc* majority disregarded this Court's express instruction that "[t]he obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution." *Campbell,* 510 U.S. at 579 n.11. Indeed, § 107 expressly declares that photocopying for educational purposes can be a part of a fair use of a copyrighted work.

Correct identification of the user also is central to a proper analysis of the third statutory factor — "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." 17 U.S.C. § 107(3). Using "reasonableness" as the touchstone, this Court stated that a §107(3) analysis must be performed in light of the other § 107 factors. *Campbell,* 510 U.S. at 586-87.[7] The *en banc* majority, however, did not look to the purpose for which the excerpts were used (teaching), the character of the use (educational), the market effect (no harm to the market for the work or for derivative works), or the amount used (no more than was necessary to accomplish the teaching purpose). Instead, it adopted two bright-line rules from *Kinko's* — first, whatever was selected for copying must be the "heart" of the work and thus too much to fairly use; and second, any copying beyond a safe harbor

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[7]Respondents object to the professors' selection of chapters from books for inclusion in coursepacks, and contend that such amounts can never be fair. *Campbell* instructs, however, that the amount must be considered in light of the other factors in § 107.

in the legislative history weighed against fair use. App. A at 18a, 20a.

The majority's identification of the defendant as the only relevant user will be the thumb on the scales against fair use every time the named defendant happens to make money, threatening to "swallow nearly all of the illustrative uses listed in . . . § 107." *Campbell,* 510 U.S. at 584. It severely impairs the exercise of fair use rights, since few users have their own manufacturing or photocopying equipment. It imposes a requirement on fair users that Congress did not impose — they must manufacture their own fair use copies. It shifts the court's inquiry from the "purpose and character of the use" to whether money changes hands. The majority's focus on the defendant rather than the user of the copyrighted work is a "profound indication that its approach is misguided." App. A at 28a. (Martin, C.J., dissenting).

C. The Sixth Circuit Applied Commercial Presumptions That Virtually Eliminate Educational Fair Use.

In *Campbell,* this Court reversed the Sixth Circuit for, among other things, holding that a commercial use is presumptively unfair. 510 U.S. at 583-84. The Sixth Circuit repeated its mistake here and then compounded its mistake by employing a new presumption: money that copyright owners are willing to charge for a use is "lost" when they do not receive it, even if the use may be a fair use.

The *en banc* majority viewed the money paid by the students for MDS's photocopying services as establishing a commercial use. It then found that "[t]here *is* a

presumption of unfairness here." App. A at 10a (emphasis in original). Such a presumption is reversible error. *Campbell,* 510 U.S. at 584. No such presumption exists unless the entire work is copied verbatim for commercial use. *Id.* at 591. Commerciality "is only one element of the first factor enquiry," and even a commercial use may be a fair use. *Id.* at 584.

The *en banc* majority also found that Respondents had established legal injury because they had set up systems to charge for the making of multiple copies for classroom use, other copyshops were paying the fees demanded, and MDS was not. App. A at 11a. In so doing, the court employed an irrebuttable presumption of legal harm and relied upon that presumption as a basis to find against fair use. Yet, in *Campbell,* this Court held that parody (*i.e.,* a fair use) "does not produce a harm cognizable under the Copyright Act." *Campbell*, 510 U.S. at 592. Since fair use is outside the rights of copyright owners, owners may not control fair use simply by setting up systems to charge for it. Thus, the *en banc* majority committed reversible error as to the existence of market harm.

This improper reliance on presumptions flows from the majority's view of the relevance of money. While the majority acknowledged that *Campbell* viewed no single fair use factor as paramount, the majority nevertheless found the fourth factor to be "at least *primus inter pares*," App. A at 8a, and the others "considerably less important." *Id.* at 15a. Accordingly, it began with a fourth factor market harm analysis, having not yet determined the purpose or

character of the use, the nature of the work used, or the amount used.[8]

The *en banc* majority assumed that money made by MDS belonged to Respondents. The majority's analysis failed to recognize that a copying service must acquire expensive equipment and service contracts, purchase supplies, and pay wages, rent, taxes, and other expenses. The majority disregarded that MDS's copying charge depends solely on the number of pages, not the content of the pages. The dissenting judges saw the distinction between a printer and the user of the work, and saw the copying costs for what they were — payment for services rendered. "The students paid the copyshop solely for the time, effort and materials that each student would otherwise have expended in copying the material himself or herself. The money paid is not money that would otherwise go to the publishers." App. A at 33a (Merritt, J., dissenting). In short, even a commercial defendant can be a part of a nonprofit use of a work.

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[8]The *en banc* majority's revival of the "presumption of unfairness" and its reluctance to believe that photocopying could ever be part of a fair use is exemplified by its approval of a blanket injunction against MDS's copying for students and professors. This Court has cautioned against the use of injunctions in fair use cases where there is "'a strong public interest'" in the challenged use and where "'the copyright owner's interest may be adequately protected by an award of damages for whatever infringement is found.'" *Campbell,* 510 U.S. at 578 n.10 (quoting Pierre N. Leval, *Toward a Fair Use Standard,* 103 Harv. L. Rev. 1105, 1132 (1990)). As Judge Merritt observed in his dissent, the injunction approved by the *en banc* majority is "so grossly overbroad that it violates the First Amendment," App. A at 29a, and is "without any recognition that the doctrine of fair use exists." *Id.* at 37a.

Through its use of presumptions, the majority disregarded the fundamental fair use inquiry — "Where should the author's exclusivity stop in order to best serve the[] overall objectives of the copyright law?" Pierre N. Leval, *Campbell v. Acuff-Rose: Justice Souter's Rescue of Fair Use*, 13 Cardozo Arts & Ent. L.J. 19, 22 (1994). Instead, it focused on "commercial motivation [which] is virtually ubiquitous in publishing." *Id.* at 21. The *en banc* majority upheld Respondents' demand for copying fees because Petitioners had not shown that payment of fees would eliminate educational use of excerpts. App. A at 14a-16a. This reduces the "fair use" inquiry to an inquiry into the point of "nonuse."

If fair use had to be "rescued" by this Court in *Campbell*, as Judge Leval suggests, it will have to be resuscitated after this 8-5 decision. The *en banc* majority's analysis turns an educational use into a commercial use, finds a commercial use to be presumptively unfair, and finds harm where there is only a demand for fees. Such an approach warrants this Court's review.

D. The Sixth Circuit Established *Kinko's* As The Definitive Statement Of Educational Fair Use.

For a generation, professors and students used the services of copyshops to make copies of their classroom materials, including excerpts of copyrighted works. Copyshops provided this service to professors and students with the understanding that they were participants in the making of "multiple copies for classroom use" under § 107 of the Copyright Act. The district court decision in *Kinko's,* however, coupled with threats of lawsuits from publishers, led many copyshops to seek permission and pay the fees demanded by publishers. App. A at 4a.

The *en banc* decision, if left standing, will establish *Kinko's* as the *de facto* law of the land in the eyes of publishers, authors, universities, students, libraries, and copyshops. This nationwide impact of a lone district court decision is especially troubling in light of the fact that *Kinko's* was decided three years before this Court's decision in *Campbell*, which soundly repudiates the *Kinko's* analysis.

Kinko's held every commercial use to be presumptively unfair, 758 F. Supp. at 1530, which this Court held was reversible error. *Campbell*, 510 U.S. at 584. *Kinko's* required that a use be transformative in order to be fair. 758 F. Supp at 1530-31. *Campbell* noted that "[t]he obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution." 510 U.S. at 579 n.11. *Kinko's* invoked the tautology that anything selected for copying must have been the "heart of the work" and thus too much to fairly copy. 758 F. Supp. at 1533. *Campbell* held that the proper inquiry examines the amount used in relation to the purpose for the use and the effect of the use on the market for the work, and that a fair use may include the heart of a work. 510 U.S. at 586-88. Finally, *Kinko's* held that the publishers' permission system for classroom use was relevant to market harm. 758 F. Supp. at 1534. In contrast, *Campbell* looked to the rights granted by Congress in § 106 as the source of the markets over which copyright owners may assert control, and held that a fourth factor analysis may *not* include claimed injury to the fair use market. 510 U.S. at 593.

The Sixth Circuit's stamp of approval in this case demonstrates the continuing influence of *Kinko's*, despite this Court's decision in *Campbell*. Given the nationwide

impact of *Kinko's,* it is highly unlikely that publishers' permission fee systems for classroom use will be subject to further legal challenges. Indeed, given the ruinous effect of this protracted litigation, which put MDS into bankruptcy, copyshops will be reluctant to assist the legitimate exercise of fair use rights. Thus, *Kinko's* theory of market harm will continue to be invoked by the lower courts. The last time a new theory of market harm was created it lasted over half a century before this Court unanimously rejected it as unconstitutional. *See Feist,* 499 U.S. at 1290-94.

The history of copyright jurisprudence reflects the difficulties experienced by lower courts with fair use and its constitutional relationship to copyright.[9] Copyright law is based not in economic property rights but in the benefits of an informed and educated society. "Fair use should not be considered a bizarre, occasionally tolerated departure from the grand conception of the copyright monopoly. To the contrary, it is a necessary part of the overall design." Pierre N. Leval, *Toward A Fair Use Standard*, 103 Harv. L. Rev. 1105, 1110 (1990). This case squarely presents important copyright fair use issues, and review is timely.

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[9]*See Campbell, supra* (reversing the Sixth Circuit, which had reversed district court's finding of fair use); *Fogerty, supra* (reversing the Ninth Circuit, which had joined the Second and Seventh Circuits in disadvantaging prevailing copyright defendants in the award of attorney's fees); *Feist, supra* (reversing Tenth Circuit's finding of copyright protection for telephone listings); *Sony, supra* (reversing the Ninth Circuit, which had reversed district court's finding of fair use); *Harper & Row, supra* (reversing Second Circuit, which had reversed district court's finding of infringement).

CONCLUSION

The Chief Judge of the Sixth Circuit described the *en banc* decision as "one of the more obvious examples of how laudable societal objectives, recognized by both the Constitution and statute, have been thwarted by a decided lack of judicial prudence." App. A at 26a (Martin, C.J., dissenting). This decision puts at issue, and at risk, the future of fair use and the purpose of copyright law — "[t]o promote the Progress of Science and useful Arts." U.S. Const. art. I, § 8, cl. 8.

This Court should issue a writ of certiorari to the Court of Appeals for the Sixth Circuit in order to ensure the place of educational fair use in the overall design of copyright law.

Respectfully submitted,

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Dated: January 30, 1997

APPENDIX A

OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT, *EN BANC,* FILED NOVEMBER 8, 1996

[APPENDIX A]

Reported at 99 F.3d 1381

No. 94-1778

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

PRINCETON UNIVERSITY PRESS, MACMILLAN, INC., and ST. MARTIN'S PRESS, INC.,
Plaintiffs-Appellees,

v.

MICHIGAN DOCUMENT SERVICES, INC., and JAMES M. SMITH,
Defendants-Appellants.

ON APPEAL from the United States District Court for the Eastern District of Michigan

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Decided and Filed November 8, 1996

Before: MARTIN, Chief Judge; MERRITT, KENNEDY, NELSON, RYAN, BOGGS, NORRIS, SUHRHEINRICH, SILER, BATCHELDER, DAUGHTREY, MOORE, and COLE, Circuit Judges.

NELSON, J., delivered the opinion of the court, in which KENNEDY, BOGGS, NORRIS, SUHRHEINRICH, SILER, BATCHELDER and COLE, JJ., joined.

MARTIN, C. J., MERRITT, J., and RYAN, J., delivered separate dissenting opinions, with Judge DAUGHTREY joining in Judge MERRITT'S and Judge RYAN'S dissents, and Judge MOORE joining in Judge MERRITT'S dissent.

DAVID A. NELSON, Circuit Judge. This is a copyright infringement case. The corporate defendant, Michigan Document Services, Inc., is a commercial copyshop that reproduced substantial segments of copyrighted works of scholarship, bound the copies into "coursepacks," and sold the coursepacks to students for use in fulfilling reading assignments given by professors at the University of Michigan. The copyshop acted without permission from the copyright holders, and the main question presented is whether the "fair use" doctrine codified at 17 U.S.C. §107 obviated the need to obtain such permission.

Answering this question "no," and finding the infringement willful, the district court entered a summary judgment order in which the copyright holders were granted equitable relief and were awarded damages that may have been enhanced for willfulness. *Princeton Univ. Press v. Michigan Document Servs., Inc.*, 855 F. Supp. 905 (E.D. Mich. 1994). A three-judge panel of this court reversed the judgment on appeal, but a majority of the active judges of the court subsequently voted to rehear the case *en banc*. The appeal has now been argued before the full court.

We agree with the district court that the defendants' commercial exploitation of the copyrighted materials did not constitute fair use, and we shall affirm that branch of the district court's judgment. We believe that the district court

erred in its finding of willfulness, however, and we shall vacate the damages award because of its possible linkage to that finding.

I

Thanks to relatively recent advances in technology, the coursepack — an artifact largely unknown to college students when the author of this opinion was an undergraduate — has become almost as ubiquitous at American colleges and universities as the conventional textbook. From the standpoint of the professor responsible for developing and teaching a particular course, the availability of coursepacks has an obvious advantage; by selecting readings from a variety of sources, the professor can create what amounts to an anthology perfectly tailored to the course the professor wants to present.

The physical production of coursepacks is typically handled by a commercial copyshop. The professor gives the copyshop the materials of which the coursepack is to be made up, and the copyshop does the rest. Adding a cover page and a table of contents, perhaps, the copyshop runs off as many sets as are needed, does the necessary binding, and sells the finished product to the professor's students.

Ann Arbor, the home of the University of Michigan, is also home to several copyshops. Among them is defendant Michigan Document Services (MDS), a corporation owned by defendant James Smith. We are told that MDS differs from most, if not all, of its competitors in at least one important way: it does not request permission from, nor does it pay agreed royalties to, copyright owners.

Mr. Smith has been something of a crusader against the system under which his competitors have been paying agreed royalties, or "permission fees" as they are known in the trade. The story begins in March of 1991, when Judge Constance Baker Motley, of the United States District Court for the Southern District of New York, decided the first reported case involving the copyright implications of educational coursepacks. See *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991), holding that a Kinko's copyshop had violated the copyright statute by creating and selling coursepacks without permission from the publishing houses that held the copyrights. After *Kinko's,* we are told, many copyshops that had not previously requested permission from copyright holders began to obtain such permission. Mr. Smith chose not to do so. He consulted an attorney, and the attorney apparently advised him that while it was "risky" not to obtain permission, there were flaws in the *Kinko*'s decision. Mr. Smith also undertook his own study of the fair use doctrine, reading what he could find on this subject in a law library. He ultimately concluded that the *Kinko's* case had been wrongly decided, and he publicized this conclusion through speeches, writings, and advertisements. His advertisements stressed that professors whose students purchased his coursepacks would not have to worry about delays attendant upon obtaining permission from publishers.

Not surprisingly, Mr. Smith attracted the attention of the publishing industry. Three publishers — Princeton University Press, MacMillan, Inc., and St. Martin's Press, Inc. — eventually brought the present suit against Mr. Smith and his corporation.

Each of the plaintiff publishers maintains a department that processes requests for permission to

reproduce portions of copyrighted works. (In addition, copyshops may request such permission through the Copyright Clearance Center, a national clearinghouse.) MacMillan and St. Martin's, both of which are for-profit companies, claim that they generally respond within two weeks to requests for permission to make copies for classroom use. Princeton, a non-profit organization, claims to respond within two to four weeks. Mr. Smith has not put these claims to the test, and he has not paid permission fees.

The plaintiffs allege infringement of the copyrights on six different works that were excerpted without permission. The works in question, and the statistics on the magnitude of the excerpts, are as follows: Nancy J. Weiss, *Farewell to the Party of Lincoln: Black Politics in the Age of FDR* (95 pages copied, representing 30 percent of the entire book); Walter Lippmann, *Public Opinion* (45 pages copied, representing 18 percent of the whole); Robert E. Layne, *Political Ideology: Why the American Common Man Believes What He Does* (78 pages, 16 percent); Roger Brown, *Social Psychology* (52 pages, 8 percent); Milton Rokeach, *The Nature of Human Values* (77 pages, 18 percent); James S. Olson and Randy Roberts, *Where the Domino Fell, America and Vietnam, 1945-1950* (17 pages, 5 percent). The extent of the copying is undisputed, and the questions presented by the case appear to be purely legal in nature.

II

The fair use doctrine, which creates an exception to the copyright monopoly, "permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster." *Campbell v. Acuff-Rose Music, Inc.*,

114 S. Ct. 1164, 1170 (1994), quoting *Stewart v. Abend*, 495 U.S. 207, 236 (1990). Initially developed by the courts, the doctrine was codified at 17 U.S.C. §107 in 1976. Congress used the following formulation in Section 107:

> "[T]he fair use of a copyrighted work, including such use by reproduction in copies . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include —
>
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work. . . ."

This language does not provide blanket immunity for "multiple copies for classroom use." Rather, "whether a use referred to in the first sentence of Section 107 is a fair use in a particular case . . . depend[s] upon the application

of the determinative factors." *Campbell*, 114 S. Ct. at 1170 n.9, quoting S. Rep. No. 94-473, p.62.[1]

The four statutory factors may not have been created equal. In determining whether a use is "fair," the Supreme Court has said that the most important factor is the fourth, the one contained in 17 U.S.C. §107(4). See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985), citing 3 M. Nimmer, *Copyright* §13.05[A], at 13-76 (1984). (But see *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 926 (2d Cir. 1994), *cert. dismissed*, 116

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[1]Judge Merritt's dissent rejects this proposition and asserts, in effect, that under the plain language of the copyright statute the making of multiple copies for classroom use constitutes fair use *ipso facto*. Judge Merritt's reading of the statute would be unassailable if Congress had said that "the use of a copyrighted work for purposes such as teaching (including multiple copies for classroom use) is not an infringement of copyright." But that is not what Congress said. It said, rather, that "the fair use of a copyrighted work, *including such use* [*i.e.* including "fair use"] . . . for purposes such as . . . teaching (including multiple copies for classroom use) . . . is not an infringement of copyright."

When read in its entirety, as Judge Ryan's dissent correctly recognizes, the quoted sentence says that *fair use* of a copyrighted work for purposes such as teaching (including multiple copies for classroom use) is not an infringement. And the statutory factors set forth in the next sentence must be considered in determining whether the making of multiple copies for classroom use is a fair use in "any particular case," just as the statutory factors must be considered in determining whether any other use referred to in the first sentence is a fair use in a particular case. To hold otherwise would be to subvert the intent manifested in the words of the statute and confirmed in the pertinent legislative history.

S.Ct. 592 (1995), suggesting that the Supreme Court may now have abandoned the idea that the fourth factor is of paramount importance.) We take it that this factor, "the effect of the use upon the potential market for or value of the copyrighted work," is at least *primus inter pares*, figuratively speaking, and we shall turn to it first.

The burden of proof as to market effect rests with the copyright holder if the challenged use is of a "noncommercial" nature. The alleged infringer has the burden, on the other hand, if the challenged use is "commercial" in nature. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984). In the case at bar the defendants argue that the burden of proof rests with the publishers because the use being challenged is "noncommercial." We disagree.

It is true that the use to which the materials are put by the students who purchase the coursepacks is noncommercial in nature. But the use of the materials by the students is not the use that the publishers are challenging. What the publishers are challenging is the duplication of copyrighted materials for sale by a for-profit corporation that has decided to maximize its profits — and give itself a competitive edge over other copyshops — by declining to pay the royalties requested by the holders of the copyrights.[2]

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[2]Two of the dissents suggest that a copyshop merely stands in the shoes of its customers and makes no "use" of copyrighted materials that differs materially from the use to which the copies are put by the ultimate consumer. But subject to the fair use exception, 17 U.S.C. §106 gives the copyright owner the "exclusive" right "to reproduce the copyrighted work in copies . . . ." And if the fairness of making copies

The defendants' use of excerpts from the books at issue here was no less commercial in character than was *The Nation* magazine's use of copyrighted material in *Harper & Row*, where publication of a short article containing excerpts from the still unpublished manuscript of a book by President Ford was held to be an unfair use. Like the students who purchased unauthorized coursepacks, the purchasers of *The Nation* did not put the contents of the magazine to commercial use — but that did not stop the Supreme Court from characterizing the defendant's use of the excerpts as "a publication [that] was commercial as opposed to nonprofit. . . ." *Harper & Row*, 471 U.S. at 562. And like the use that is being challenged in the case now before us, the use challenged in *Harper & Row* was "presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Id.*, quoting *Sony*, 464 U.S. at 451.[3]

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depends on what the ultimate consumer does with the copies, it is hard to see how the manufacture of pirated editions of any copyrighted work of scholarship could ever be an unfair use. As discussed in Part III A, *infra*, the dissenters' suggestion — which proposes no limiting principle — runs counter to the legislative history of the Copyright Act and has properly been rejected by the courts.

[3]Judge Ryan's dissent maintains that there cannot be an "exploitation" of a copyrighted work unless the exploiter assesses the work's market potential, makes a selection based on content, and realizes a profit from the substance of the work. But the dictionary defines "exploit" in terms that include "to take advantage of, utilize," see *Webster's Third New International Dictionary (Unabridged)*, and nothing in *Harper & Row* suggests that the Supreme Court intended a narrower or more idiosyncratic meaning.

The strength of the *Sony* presumption may vary according to the context in which it arises, and the presumption disappears entirely where the challenged use is one that transforms the original work into a new artistic creation. See *Campbell*, 114 S. Ct. at 1176. Perhaps the presumption is weaker in the present case than it would be in other contexts. There *is* a presumption of unfairness here, nonetheless, and we are not persuaded that the defendants have rebutted it.

If we are wrong about the existence of the presumption — if the challenged use is not commercial, in other words, and if the plaintiff publishers have the burden of proving an adverse effect upon either the potential market for the copyrighted work or the potential value of the work — we believe that the publishers have carried the burden of proving a diminution in potential market value.

One test for determining market harm — a test endorsed by the Supreme Court in *Sony, Harper & Row*, and *Campbell* — is evocative of Kant's categorical imperative. "[T]o negate fair use," the Supreme Court has said, "one need only show that *if the challenged use 'should become widespread, it would adversely affect the potential market* for the copyrighted work.'" *Harper & Row*, 471

The dissent also points out that it was magazine employees, not outsiders, who obtained the unpublished manuscript of the Ford book and selected the portions that were included in the offending article. But nothing turns on the "in house" character of such activities. If a college professor had obtained the manuscript, selected the excerpts and pedded the article on a free-lance basis, can anyone doubt that it would have been a violation of the copyright for *The Nation* to publish the professor's article?

U.S. at 568, quoting *Sony*, 464 U.S. at 451 (emphasis supplied in part). Under this test, we believe, it is reasonably clear that the plaintiff publishers have succeeded in negating fair use.

As noted above, most of the copyshops that compete with MDS in the sale of coursepacks pay permission fees for the privilege of duplicating and selling excerpts from copyrighted works. The three plaintiffs together have been collecting permission fees at a rate approaching $500,000 a year. If copyshops across the nation were to start doing what the defendants have been doing here, this revenue stream would shrivel and the potential value of the copyrighted works of scholarship published by the plaintiffs would be diminished accordingly.

The defendants contend that it is circular to assume that a copyright holder is entitled to permission fees and then to measure market loss by reference to the lost fees. They argue that market harm can only be measured by lost sales of books, not permission fees. But the circularity argument proves too much. Imagine that the defendants set up a printing press and made exact reproductions — asserting that such reproductions constituted "fair use" — of a book to which they did not hold the copyright. Under the defendants' logic it would be circular for the copyright holder to argue market harm because of lost copyright revenues, since this would assume that the copyright holder had a right to such revenues.

A "circularity" argument indistinguishable from that made by the defendants here was rejected by the Second Circuit in *American Geophysical*, 60 F.3d at 929-31 (Jon O. Newman, C.J.), where the photocopying of scientific articles for use by Texaco researchers was held to be an

unfair use. It is true, the Second Circuit acknowledged, that "a copyright holder can *always* assert some degree of adverse [e]ffect on its potential licensing revenues as a consequence of [the defendant's use] . . . simply because the copyright holder has not been paid a fee to permit that particular use." *Id.* at 929 n.17. But such an assertion will not carry much weight if the defendant has "filled a market niche that the [copyright owner] simply had no interest in occupying." *Id.* at 930 (quoting *Twin Peaks Prods., Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366, 1377 (2d Cir. 1993)). Where, on the other hand, the copyright holder clearly does have an interest in exploiting a licensing market — and especially where the copyright holder has actually succeeded in doing so — "it is appropriate that potential licensing revenues for photocopying be considered in a fair use analysis." *American Geophysical*, 60 F.3d at 930. Only "traditional, reasonable, or likely to be developed markets" are to be considered in this connection, and even the availability of an existing system for collecting licensing fees will not be conclusive. *Id.* at 930-31.[4] But Congress has implicitly suggested that licensing fees should be recognized in appropriate cases as part of the potential

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[4]Although not conclusive, the existence of an established license fee system is highly relevant:

> "[I]t is sensible that a particular unauthorized use should be considered 'more fair' when there is no ready market or means to pay for the use, while such an unauthorized use should be considered 'less fair' when there is a ready market or means to pay for the use. The vice of circular reasoning arises only if the availability of payment is conclusive against fair use." *Id.* at 931.

market for or value of the copyrighted work, and it was primarily because of lost licensing revenue that the Second Circuit agreed with the finding of the district court in *American Geophysical* that "the publishers have demonstrated a substantial harm to the value of their copyrights through [Texaco's] copying." *Id.* at 931 (quoting the district court opinion (Pierre N. Leval, J.) reported at 802 F.Supp. 1, 21 (S.D.N.Y. 1992)).

The approach followed by Judges Newman and Leval in the *American Geophysical* litigation is fully consistent with the Supreme Court case law. In *Harper & Row*, where there is no indication in the opinion that the challenged use caused any diminution in sales of President Ford's memoirs, the Court found harm to the market for the licensing of excerpts. The Court's reasoning — which was obviously premised on the assumption that the copyright holder was entitled to licensing fees for use of its copyrighted materials — is no more circular than that employed here. And in *Campbell*, where the Court was unwilling to conclude that the plaintiff had lost licensing revenues under the fourth statutory factor, the Court reasoned that a market for critical parody was not one "that creators of original works would in general develop or license others to develop." *Campbell*, 114 S. Ct. at 1178.

The potential uses of the copyrighted works at issue in the case before us clearly include the selling of permission to reproduce portions of the works for inclusion in coursepacks — and the likelihood that publishers actually will license such reproduction is a demonstrated fact. A licensing market already exists here, as it did not in a case on which the plaintiffs rely, *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided Court*, 420 U.S. 376 (1975). Thus there is

no circularity in saying, as we do say, that the potential for destruction of this market by widespread circumvention of the plaintiffs' permission fee system is enough, under the *Harper & Row* test, "to negate fair use."

Our final point with regard to the fourth statutory factor concerns the affidavits of the three professors who assigned one or more of the copyrighted works to be read by their students. The defendants make much of the proposition that these professors only assigned excerpts when they would not have required their students to purchase the entire work. But what seems significant to us is that none of these affidavits shows that the professor executing the affidavit would have refrained from assigning the copyrighted work if the position taken by the copyright holder had been sustained beforehand.

It is true that Professor Victor Lieberman, who assigned the excerpt from the Olson and Roberts book on America and Vietnam, raises questions about the workability of the permission systems of "many publishers." In 1991, Professor Lieberman avers, a Kinko's copyshop to which he had given materials for inclusion in a coursepack experienced serious delays in obtaining permissions from unnamed publishers. Professor Lieberman does not say that timely permission could not have been obtained from the publisher of the Olson and Roberts book, however, and he does not say that he would have refrained from assigning the work if the copyshop had been required to pay a permission fee for it.

It is also true that the publisher of one of the copyrighted works in question here (*Public Opinion*, by Walter Lippmann) would have turned down a request for permission to copy the 45-page excerpt included in a

coursepack prepared to the specifications of Professor Donald Kinder. The excerpt was so large that the publisher would have preferred that students buy the book itself, and the work was available in an inexpensive paperback edition. But Professor Kinder does not say that he would have refrained from assigning the excerpt from the Lippmann book if it could not have been included in the coursepack. Neither does he say that he would have refrained from assigning any of the other works mentioned in his affidavit had he known that the defendants would be required to pay permission fees for them.

The third professor, Michael Dawson, assigned a 95-page excerpt from the book on black politics by Nancy Weiss. Professor Dawson does not say that a license was not available from the publisher of the Weiss book, and he does not say that the license fee would have deterred him from assigning the book.

III

In the context of nontransformative uses, at least, and except insofar as they touch on the fourth factor, the other statutory factors seem considerably less important. We shall deal with them relatively briefly.

A

As to "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," 17 U.S.C. §107(1), we have already explained our reasons for concluding that the challenged use is of a commercial nature.

The defendants argue that the copying at issue here would be considered "nonprofit educational" if done by the students or professors themselves. The defendants also note that they can profitably produce multiple copies for less than it would cost the professors or the students to make the same number of copies. Most of the copyshops with which the defendants compete have been paying permission fees, however, and we assume that these shops too can perform the copying on a more cost-effective basis than the professors or students can. This strikes us as a more significant datum than the ability of a black market copyshop to beat the do-it-yourself cost.

As to the proposition that it would be fair use for the students or professors to make their own copies, the issue is by no means free from doubt. We need not decide this question, however, for the fact is that the copying complained of here was performed on a profit-making basis by a commercial enterprise. And "[t]he courts have . . . properly rejected attempts by for-profit users to stand in the shoes of their customers making nonprofit or noncommercial uses." Patry, *Fair Use in Copyright Law*, at 420 n.34. As the House Judiciary Committee stated in its report on the 1976 legislation,

> "[I]t would not be possible for a non-profit institution, by means of contractual arrangements with a commercial copying enterprise, to authorize the enterprise to carry out copying and distribution functions that would be exempt if conducted by the non-profit institution itself." H.R. Rep. No. 1476, 94th Cong., 2d Sess. at 74 (1976).

It should be noted, finally, that the degree to which the challenged use has transformed the original copyrighted works — another element in the first statutory factor — is virtually indiscernible. If you make verbatim copies of 95 pages of a 316-page book, you have not transformed the 95 pages very much — even if you juxtapose them to excerpts from other works and package everything conveniently. This kind of mechanical "transformation" bears little resemblance to the creative metamorphosis accomplished by the parodists in the *Campbell* case.

B

The second statutory factor, "the nature of the copyrighted work," is not in dispute here. The defendants acknowledge that the excerpts copied for the coursepacks contained creative material, or "expression;" it was certainly not telephone book listings that the defendants were reproducing. This factor too cuts against a finding of fair use.

C

The third statutory factor requires us to assess "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." Generally speaking, at least, "the larger the volume (or the greater the importance) of what is taken, the greater the affront to the interests of the copyright owner, and the less likely that a taking will qualify as a fair use." Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1122 (1990).

The amounts used in the case at bar — 8,000 words in the shortest excerpt — far exceed the 1,000-word safe harbor that we shall discuss in the next part of this opinion.

See H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976), reprinted after 17 U.S.C.A. §107. The defendants were using as much as 30 percent of one copyrighted work, and in no case did they use less than 5 percent of the copyrighted work as a whole. These percentages are not insubstantial. And to the extent that the third factor requires some type of assessment of the "value" of the excerpted material in relation to the entire work, the fact that the professors thought the excerpts sufficiently important to make them required reading strikes us as fairly convincing "evidence of the qualitative value of the copied material." *Harper & Row*, 471 U.S. at 565. We have no reason to suppose that in choosing the excerpts to be copied, the professors passed over material that was more representative of the major ideas of the work as a whole in preference to material that was less representative.

The third factor may have more significance for the 95-page excerpt from the black politics book than for the 17-page excerpt from the Vietnam book. In each instance, however, the defendants have failed to carry their burden of proof with respect to "amount and substantiality."[5]

IV

We turn now to the pertinent legislative history. The general revision of the copyright law enacted in 1976 was developed through a somewhat unusual process. Congress

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[5]"Fair use serves as an affirmative defense to a claim of copyright infringement, and thus the party claiming that its secondary use of the original copyrighted work constitutes a fair use typically carries the burden of proof as to all issues in the dispute." *American Geophysical*, 60 F.3d at 918, citing *Campbell*, 114 S.Ct. at 1177.

and the Register of Copyrights initiated and supervised negotiations among interested groups — groups that included authors, publishers, and educators — over specific legislative language. Most of the language that emerged was enacted into law or was made a part of the committee reports. See Jessica Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857 (1987). The statutory fair use provisions are a direct result of this process. *Id.* at 876-77. So too is the "Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions With Respect to Books and Periodicals" — commonly called the "Classroom Guidelines" set out in H.R. Rep. No. 1476 at 68-71, 94th Cong., 2d Sess. (1976). The House and Senate conferees explicitly accepted the Classroom Guidelines "as part of their understanding of fair use," H.R. Conf. Rep. No. 1733, 94th Cong. 2d Sess. at 70 (1976), and the Second Circuit has characterized the guidelines as "persuasive authority . . . ." *American Geophysical*, 60 F.3d at 919 n.5, citing *Kinko's*, 758 F.Supp. at 1522-36.

There are strong reasons to consider this legislative history. The statutory factors are not models of clarity, and the fair use issue has long been a particularly troublesome one. See *Acuff-Rose Music, Inc. v. Campbell*, 972 F.2d 1429, 1439 (6th Cir. 1992) (Nelson, J., dissenting), *rev'd*, 114 S. Ct. 1164 (1994). Not surprisingly, courts have often turned to the legislative history when considering fair use questions. See *Harper & Row*, 471 U.S. at 549-53, where the Supreme Court looked not only to the House report cited above, but to an earlier Senate report "discussing fair use of photocopied materials in the classroom. . . ." And see *Campbell*, 114 S. Ct. at 1170, where the Court likewise sifted through the congressional committee reports.

Although the Classroom Guidelines purport to "state the minimum and not the maximum standards of educational fair use," they do evoke a general idea, at least, of the type of educational copying Congress had in mind. The guidelines allow multiple copies for classroom use provided that (1) the copying meets the test of brevity (1,000 words, in the present context); (2) the copying meets the test of spontaneity, under which "[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness [must be] so close in time that it would be unreasonable to expect a timely reply to a request for permission;" (3) no more than nine instances of multiple copying take place during a term, and only a limited number of copies are made from the works of any one author or from any one collective work; (4) each copy contains a notice of copyright; (5) the copying does not substitute for the purchase of "books, publishers' reprints or periodicals;" and (6) the student is not charged any more than the actual cost of copying. The Classroom Guidelines also make clear that unauthorized copying to create "anthologies, compilations or collective works" is prohibited. H.R. Rep. No. 1476 at 69.

In its systematic and premeditated character, its magnitude, its anthological content, and its commercial motivation, the copying done by MDS goes well beyond anything envisioned by the Congress that chose to incorporate the guidelines in the legislative history. Although the guidelines do not purport to be a complete and definitive statement of fair use law for educational copying, and although they do not have the force of law, they do provide us general guidance. The fact that the MDS copying is light years away from the safe harbor of the guidelines weighs against a finding of fair use.

Although the Congress that passed the Copyright Act in 1976 would pretty clearly have thought it unfair for a commercial copyshop to appropriate as much as 30 percent of a copyrighted work without paying the license fee demanded by the copyright holder, the changes in technology and teaching practices that have occurred over the last two decades might conceivably make Congress more sympathetic to the defendants' position today. If the law on this point is to be changed, however, we think the change should be made by Congress and not by the courts.

V

We take as our text for the concluding part of this discussion of fair use Justice Stewart's well-known exposition of the correct approach to "ambiguities" (see *Sony*, 464 U.S. at 431-32) in the copyright law:

> "The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. 'The sole interest of the United States and the primary object in conferring the monopoly,' this Court has said, 'lie in the general benefits derived by the public from the labors of authors.' . . . When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (footnotes and citations omitted).

The defendants attach considerable weight to the assertions of numerous academic authors that they do not write primarily for money and that they want their published writings to be freely copyable. The defendants suggest that unlicensed copying will "stimulate artistic creativity for the general public good."

This suggestion would be more persuasive if the record did not demonstrate that licensing income is significant to the publishers. It is the publishers who hold the copyrights, of course — and the publishers obviously need economic incentives to publish scholarly works, even if the scholars do not need direct economic incentives to write such works.

The writings of most academic authors, it seems fair to say, lack the general appeal of works by a Walter Lippmann, for example. (Lippmann is the only non-academic author whose writings are involved in this case.) One suspects that the profitability of at least some of the other books at issue here is marginal. If publishers cannot look forward to receiving permission fees, why should they continue publishing marginally profitable books at all? And how will artistic creativity be stimulated if the diminution of economic incentives for publishers to publish academic works means that fewer academic works will be published?

The fact that a liberal photocopying policy may be favored by many academics who are not themselves in the publishing business has little relevance in this connection. As Judge Leval observed in *American Geophysical*,

> "It is not surprising that authors favor liberal photocopying; generally such authors have a far greater interest in the wide dissemination

> of their work than in royalties — all the more so when they have assigned their royalties to the publisher. But the authors have not risked their capital to achieve dissemination. The publishers have. Once an author has assigned her copyright, her approval or disapproval of photocopying is of no further relevance." 802 F.Supp. at 27.

In the case at bar the district court was not persuaded that the creation of new works of scholarship would be stimulated by depriving publishers of the revenue stream derived from the sale of permissions. Neither are we. On the contrary, it seems to us, the destruction of this revenue stream can only have a deleterious effect upon the incentive to publish academic writings.

VI

The district court's conclusion that the infringement was willful is somewhat more problematic, in our view. The Copyright Act allows the collection of statutory damages of between $500 and $20,000 for each work infringed. 17 U.S.C. §504(c)(1). Where the copyright holder establishes that the infringement is willful, the court may increase the award to not more than $100,000. 17 U.S.C. §504(c)(2). If the court finds that the infringement was innocent, on the other hand, the court may reduce the damages to not less than $200. *Id.* Here the district court awarded $5,000 per work infringed, characterizing the amount of the award as "a strong admonition from this court." 855 F. Supp. at 913.

Willfulness, under this statutory scheme, has a rather specialized meaning. As Professor Nimmer explains,

> "In other contexts ['willfulness'] might simply mean an intent to copy, without necessarily an intent to infringe. It seems clear that as here used, 'willfully' means with knowledge that the defendant's conduct constitutes copyright infringement. Otherwise, there would be no point in providing specially for the reduction of minimum awards in the case of innocent infringement, because any infringement that was nonwillful would necessarily be innocent. This seems to mean, then, that one who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, is not 'willful' for these purposes." Melville B. Nimmer & David Nimmer, 3 *Nimmer on Copyright* §14.04[B][3] (1996).

The plaintiffs do not contest the good faith of Mr. Smith's belief that his conduct constituted fair use; only the reasonableness of that belief is challenged. "Reasonableness," in the present context, is essentially a question of law. The facts of the instant case are not in dispute, and the issue is whether the copyright law supported the plaintiffs' position so clearly that the defendants must be deemed as a matter of law to have exhibited a reckless disregard of the plaintiffs' property rights. We review this issue *de novo*.

Fair use is one of the most unsettled areas of the law. The doctrine has been said to be "so flexible as virtually to defy definition." *Time Inc. v. Bernard Geis Assoc.*, 293 F. Supp. 130, 144 (S.D.N.Y. 1968). The potential for reasonable disagreement here is illustrated by the forcefully

argued dissents and the now-vacated panel opinion. In the circumstances of this case, we cannot say that the defendants' belief that their copying constituted fair use was so unreasonable as to bespeak willfulness. Accordingly, we shall remand the case for reconsideration of the statutory damages to be awarded.

VII

Insofar as injunctive relief is concerned, the judgment of the district court has not been set forth on a separate document in the manner required by Rule 58, Fed. R. Civ. P. The penultimate sentence of the concluding paragraph of the district court's order — a sentence evidently intended to serve the office of a separate injunction — reads as follows:

> "Further, defendants are ENJOINED from copying any of plaintiffs' existing or future copyrighted works without first obtaining the necessary permission." 855 F. Supp. at 913.

The district court clearly did not intend to prohibit the defendants from copying without permission works not protected by copyright. We are uncertain whether the district court gave any consideration to copying of a sort that could not be anything other than fair use. On remand the district court should set forth its judgment in a separate document stating the scope of the injunction more precisely.

Before the initial panel that heard this case — but not before the *en banc* court — the defendants argued that the district court exceeded its powers by enjoining them from reproduction of future copyrighted works. We do not find the argument persuasive. The weight of authority supports

the extension of injunctive relief to future works. See, *e.g.*, *Olan Mills, Inc. v. Linn Photo Co.*, 23 F.3d 1345 (8th Cir. 1994); *Pacific and Southern Co., Inc. v. Duncan*, 744 F.2d 1490 (11th Cir. 1984), *cert. denied*, 471 U.S. 1004 (1985); *Basic Books*, 758 F. Supp. at 1542; Melville B. Nimmer & David Nimmer, 3 *Nimmer on Copyright* §1406[B] (1995). The view taken by these authorities seems the better one to us.

VIII

The grant of summary judgment on the fair use issue is **AFFIRMED**. The award of damages is **VACATED**, and the case is **REMANDED** for reconsideration of damages and for entry of a separate judgment not inconsistent with this opinion.

BOYCE F. MARTIN, JR., Chief Judge, dissenting. This case presents for me one of the more obvious examples of how laudable societal objectives, recognized by both the Constitution and statute, have been thwarted by a decided lack of judicial prudence. Copyright protection as embodied in the Copyright Act of 1976 is intended as a public service to both the creator and the consumer of published works. Although the Act grants to individuals limited control over their original works, it was drafted to stimulate the production of those original works for the benefit of the whole nation. The fair use doctrine, which requires unlimited public access to published works in educational settings, is one of the essential checks on the otherwise exclusive property rights given to copyright holders under the Copyright Act.

Ironically, the majority's rigid statutory construction of the Copyright Act grants publishers the kind of power that Article I, Section 8 of the Constitution is designed to guard against. The Copyright Clause grants Congress the power to create copyright interests that are *limited* in scope. Consequently, the Copyright Act adopted the fair use doctrine to protect society's vested interest in the sharing of ideas and information against pursuits of illegitimate or excessive private proprietary claims. While it may seem unjust that publishers must share, in certain situations, their work-product with others, free of charge, that is not some "unforeseen byproduct of a statutory scheme;" rather, it is the "essence of copyright" and a "constitutional requirement." *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991).

Michigan Document Services provided a service to the University of Michigan that promoted scholarship and higher education. Michigan Document Services was paid for its services; however, that fact does not obviate a fair use claim under these facts. Requiring Michigan Document Services to pay permission fees in this instance is inconsistent with the primary mission of the Copyright Act. The individual rights granted by the Act are subservient to the Act's primary objective, which is the promotion of creativity generally. We must therefore consider the fair use provision of Section 107 of the Act in light of the sum total of public benefits intended by copyright law. In this instance, there is no adverse economic impact on Princeton University Press that can outweigh the benefits provided by Michigan Document Services. Indeed, to presume adverse economic impact, as has the majority, is to presume that the $50,000 in fees currently earned by plaintiff is mandated by the Act in every instance — something I hesitate to presume.

That the majority lends significance to the identity of the person operating the photocopier is a profound indication that its approach is misguided. Given the focus of the Copyright Act, the only practical difference between this case and that of a student making his or her own copies is that commercial photocopying is faster and more cost-effective. Censuring incidental private sector profit reflects little of the essence of copyright law. Would the majority require permission fees of the Professor's teaching assistant who at times must copy, at the Professor's behest, copyrighted materials for dissemination to a class, merely because such assistant is paid an hourly wage by the Professor for this work?

The majority's strict reading of the fair use doctrine promises to hinder scholastic progress nationwide. By charging permission fees on this kind of job, publishers will pass on expenses to colleges and universities that will, of course, pass such fees on to students. Students may also be harmed if added expenses and delays cause professors to opt against creating such specialized anthologies for their courses. Even if professors attempt to reproduce the benefits of such a customized education, the added textbook cost to students is likely to be prohibitive.

The Copyright Act does not suggest such a result. Rather, the fair use doctrine contemplates the creation and free flow of information; the unhindered flow of such information through, among other things, education in turn spawns the creation and free flow of new information.

In limiting the right to copy published works in the Copyright Act, Congress created an exception for cases like the one before us. When I was in school, you bought your books and you went to the library for supplemental

information. To record this supplemental information, in order to learn and benefit from it, you wrote it out long-hand or typed out what you needed — not easy, but effective. Today, with the help of free enterprise and technology, this fundamental means of obtaining information for study has been made easier. Students may now routinely acquire inexpensive copies of the information they need without all of the hassle. The trend of an instructor giving information to a copying service to make a single set of copies for each student for a small fee is just a modern approach to the classic process of education. To otherwise enforce this statute is nonsensical. I therefore dissent.

MERRITT, Circuit Judge, dissenting. The copying done in this case is permissible under the plain language of the copyright statute that allows "multiple copies for classroom use:" "[T]he fair use of a copyrighted work . . . for purposes such as . . . teaching (*including multiple copies for classroom use*), . . . is not an infringement of copyright." 17 U.S.C. § 107 (emphasis added). Also, the injunction the Court has upheld exceeds the protections provided by the Copyright Act of 1976 regardless of whether the use was a fair use and is so grossly overbroad that it violates the First Amendment.

I.

This is a case of first impression with broad consequences. Neither the Supreme Court nor any other court of appeals has interpreted the exception allowing "multiple copies for classroom use" found in § 107 of the copyright statute. There is no legal precedent and no legal

history that supports our Court's reading of this phrase in a way that outlaws the widespread practice of copying for classroom use by teachers and students.

For academic institutions, the practical consequences of the Court's decision in this case are highly unsatisfactory, to say the least. Anyone who makes multiple copies for classroom use for a fee is guilty of copyright infringement unless the portion copied is just a few paragraphs long. Chapters from a book or articles from a journal are verboten. No longer may Kinko's and other corner copyshops, or school bookstores, libraries and student-run booths and kiosks copy anything for a fee except a small passage. I do not see why we should so construe plain statutory language that on its face permits "multiple copies for classroom use." The custom of making copies for classroom use for a fee began during my college and law school days forty years ago and is now well-established. I see no justification for overturning this long-established practice.

I disagree with the Court's method of analyzing and explaining the statutory language of § 107 providing a fair use exception.[1] Except for "teaching," the statute is cast in

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[1]Both the majority opinion and Judge Ryan's dissent approach the determination of whether the use at issue here is infringing solely by use of the four statutory factors set out in § 107. Neither the plain language of the statute nor the case law requires that determination to be made solely on the narrow grounds of those four factors. Because the plain language of the statute is clear concerning "multiple copies for classroom use" and because determinations of infringement are to be made on a case-by-case basis taking into consideration the reasonableness of the copying from an equitable perspective, I do not

general, abstract language that allows fair use for "criticism," "comment," "news reporting" and "research." The scope or extent of copying allowed for these uses is left undefined. Not so for "teaching." This purpose, and this purpose alone, is immediately followed by a definition. The definition allows "multiple copies for classroom use" of copyrighted material. The four factors to be considered, *e.g.*, market effect and the portion of the work used, are of limited assistance when the teaching use at issue fits squarely within the specific language of the statute, *i.e.*, "multiple copies for classroom use." In the present case that is all we have — "multiple copies for classroom use."

There is nothing in the statute that distinguishes between copies made for students by a third person who charges a fee for their labor and copies made by students themselves who pay a fee only for use of the copy machine. Our political economy generally encourages the division and specialization of labor. There is no reason why in this instance the law should discourage high schools, colleges, students and professors from hiring the labor of others to make their copies any more than there is a reason to discourage lawyers from hiring paralegals to make copies for clients and courts. The Court's distinction in this case based on the division of labor — who does the copying — is short sighted and unsound economically.

Our Court cites no authority for the proposition that the intervention of the copyshop changes the outcome of the case. The Court errs by focusing on the "use" of the

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believe that the four factors are controlling. The specific plain language should be given much more weight in this case than the four abstract considerations of little relevance to copying for classroom use.

materials made by the copyshop in making the copies rather than upon the real user of the materials — the students. Neither the District Court nor our Court provides a rationale as to why the copyshops cannot "stand in the shoes" of their customers in making copies for noncommercial, educational purposes where the copying would be fair use if undertaken by the professor or the student personally.

Rights of copyright owners are tempered by the rights of the public. The copyright owner has never been accorded complete control over all possible uses of a work. Generally, "[t]he monopoly privileges [of copyright] that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit," *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984), a statement the Court more fully explained as follows:

> The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts . . . . When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of its basic purpose.

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (footnotes omitted). The public has the right to make fair use of a copyrighted work and to exercise that right

without requesting permission from, or paying any fee to, the copyright holder. The essence of copyright is the promotion of learning — not the enrichment of publishers.

II.

Even if the plain language of the statute allowing "multiple copies for classroom use" were less clear, the Court's analysis of the fair use factors is off base. There is nothing in the fair use analysis that casts doubt on the plain meaning of "multiple copies for classroom use."

Money changes hands and makes the transaction "commercial" because the copyshop has freed the student from undertaking the physical task of copying. The copyshop makes its money based on the number of pages copied, not the content of those pages. The students paid the copyshop solely for the time, effort and materials that each student would otherwise have expended in copying the material himself or herself. The money paid is not money that would otherwise go to the publishers.

In finding the use to be "commercial," our Court cites as authority the use by the magazine *The Nation* of excerpts from President Ford's book, a use found to be infringement. Maj. Op. at 9a (citing *Harper & Row Pubs., Inc. v. Nation Enterprises*, 471 U.S. 539 (1985)). But the Ford excerpts were not copied from the original work on a photocopier and distributed to a political science class for study. They were not multiple copies for classroom use, copied "for the purposes . . . of teaching." They were "scooped" from the Ford memoirs and published in *The Nation*, a commercial publication, before Harper and Row, the copyright owner, could publish them. The case does not

interpret the classroom use exception of § 107 and has no application to the case before us.

The statute also assesses the "amount and substantiality of the portion used in relation to the copyrighted work as a whole." The excerpts here were a small percentage of the total work. The District Court recognized that the excerpts were "truly 'excerpts' and do not purport to be replacements for the original works." *Princeton Univ. Press v. Michigan Doc. Servs., Inc.*, 855 F. Supp. 905, 910 (E.D. Mich. 1994). This factor does not weigh against a finding of fair use, and our Court errs in reaching a contrary conclusion.

The Court also errs in analyzing the market effect of the classroom copying. The Court erroneously shifts the burden of proof as to market effect to the defendant by labeling the use "commercial" in nature. Maj. op. at 10a. Generally the burden is on the plaintiff to demonstrate the alleged harm to the potential market value for the copyrighted work. If the challenge is to a noncommercial use of a copyrighted work, the plaintiff must prove by a preponderance of the evidence either that the particular use is harmful or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. The Court shifts the burden because it fails to acknowledge that the use in question — making "multiple copies for classroom use" for "teaching" purposes — precisely fits the plain language of the § 107 exception. The Court strains to relieve the plaintiffs of their normal burden of proof. Plaintiffs have met their burden only because the Court has lifted the burden and put it onto the shoulders of the defendant.

Turning to the effect of the use upon the potential market for or value of the copyrighted work, plaintiffs here have failed to demonstrate that the photocopying done by defendant has caused even marginal economic harm to their publishing business. As the Court concedes, the publishers would prefer that students purchase the publications containing the excerpts instead of receiving photocopies of excerpts from the publications. *See* Maj. op. at 15a ("the publisher would have *preferred* that students buy the book itself . . . .") (emphasis added). What the publishers would "prefer" is not part of the analysis to determine the effect on the potential market. We are to examine what the facts tell us about the market effect. The facts demonstrate that it is only wishful thinking on the part of the publishers that the professors who assigned the works in question would have directed their students to purchase the entire work if the excerpted portions were unavailable for copying. The excerpts copied were a small percentage of the total work, and, as the professors testified, it seems more likely that they would have omitted the work altogether instead of requiring the students to purchase the entire work.

The use complained of by plaintiffs here has been widespread for many years and the publishers have not been able to demonstrate any significant harm to the market for the original works during that time. The publishing industry tried to persuade Congress in 1976 to ban the type of copying done by defendant here. Congress declined to do so and the publishing industry has been trying ever since to work around the language of the statute to expand its rights.

It is also wrong to measure the amount of economic harm to the publishers by loss of a presumed license fee — a criterion that assumes that the publishers have the right to collect such fees in all cases where the user copies any

portion of published works. The majority opinion approves of this approach by affirming the issuance of an injunction prohibiting defendant from copying any portion of plaintiffs' works. It does so without requiring a case-by-case determination of infringement as mandated by the Supreme Court. *See* discussion *infra* at 37a-38a.

The publishers have no right to such a license fee. Simply because the publishers have managed to make licensing fees a significant source of income from copyshops and other users of their works does not make the income from the licensing a factor on which we must rely in our analysis. If the publishers have no right to the fee in many of the instances in which they are collecting it, we should not validate that practice by now using the income derived from it to justify further imposition of fees. Our job is simply to determine whether the use here falls within the § 107 exception for "multiple copies for classroom use." If it does, the publisher cannot look to us to force the copyshop to pay a fee for the copying.

The Court states that defendant has declined to pay "agreed royalties" to the holders of the copyrights. Maj. op. at 3a. Agreed to by whom? Defendant has not "agreed" to pay the publishers anything. It is fair to label a royalty as "agreed to" only when the publisher has appropriately negotiated a fee with the copyshop for use of the copy in question.

III.

The injunction upheld by the Court, as it stands now, extends the rights of the copyright owners far beyond the

limits prescribed by Congress.[2] It prohibits defendant from copying any excerpts from plaintiffs' materials, both those now in existence and any that may be published by plaintiffs in the future, regardless of whether the entire work is appropriately protected by copyright or whether the copying is for classroom use or is otherwise a fair use. The injunction prohibits defendant from copying from copyrighted works of the plaintiffs, without regard to length, content or purpose of the copying and without any recognition that the doctrine of fair use exists. The injunction avoids the necessity of determining whether the copying is an infringement or a fair use — any copying and dissemination is forbidden. The injunction also protects future publications of plaintiffs — works that have not yet even been created — without any knowledge as to the level of copyright protection the works would normally be afforded.

The gross overbreadth of the injunction appears to violate the First Amendment. The purpose of the First Amendment is to facilitate the widest possible dissemination of information. "From a first amendment viewpoint, the effect of an injunction is to restrain the infringing expression altogether — an effect which goes beyond what is necessary to secure the copyright property." Goldstein, Copyright and the First Amendment, 70 Colum. L. Rev. 983, 1030 (1970); *see also New Era Pubs. Int'l, ApS v. Henry Holt and Co.*,

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[2]Although the majority has modified its original draft of the opinion to order a remand directing the district court (1) to set out the injunction in a separate order as required by Federal Rule of Civil Procedure 65 and (2) to set forth "more precisely" the scope of the injunction, the remand instruction gives virtually no guidance to the district court about curing the overbreadth of the injunction.

873 F.2d 576, 595-97 (2d Cir. 1989) (Oakes, J., concurring), *cert. denied*, 493 U.S. 1094 (1990) (discussing tension between First Amendment and injunctions in copyright cases); 3 Nimmer § 14.06[B] at 14-56.2 (where public harm would result from the injunction, courts should award damages in lieu of injunction).

In sum, the injunction imposed here — an injunction that provides blanket copyright protection for all the works of a given publisher without regard to the limitations on copyright protection — is overbroad. The injunction is inappropriate because it prohibits the public from using defendant's copyshop for noninfringing copying of plaintiffs' works.

RYAN, Circuit Judge, dissenting. It is clear from the application of the four fair use factors of 17 U.S.C. § 107 that MDS's copying of the publishers' copyrighted works in this case is fair use and, thus, no infringement of the publishers' rights. Indeed, it is a use which is merely an aspect of the professors' and students' classroom use, and, only in the narrowest and most technical sense, a use of a separate genre under section 107. And, so, I must dissent from the majority's contrary view and, in expressing my understanding of the matter, I shall identify three important subissues on which I think my colleagues' analysis has led them to mistakenly conclude that MDS's activity is not a fair use of the publishers' materials.

In my judgment, my colleagues have erred in

1. focusing on the loss of permission fees in evaluating "market effect" under section 107(4);

2. finding that the evidence supports the conclusion that permission fees provide an important incentive to authors to create new works or to publishers to publish new works; and

3. using legislative history, specifically the "Classroom Guidelines," to decide the issue of classroom use.

I.

Professors may make the judgment that only fractional portions of much larger copyrighted works need to be examined by their students to explain the theories, facts, and historical developments in which the professors are interested, or that the selected excerpted materials are not central to the professors' classroom purpose. In such an instance, the professors may conclude that the educational benefit to the students does not justify requiring the students to purchase the entire original work. Rather than omit the materials entirely, the professors could, of course, make a reference copy of the excerpted portions and produce multiple copies of the relevant sections for their students. Alternatively, they might require their students to spend their own time going to the library, waiting their turn to gain access to sometimes scarce library reserve materials, going to the coin operated photocopying machines, and

making their own copies, a practice that the publishers have not challenged. However, in the circumstances of this case, the professors, presumably as a service to the students, requested MDS to copy and assemble from a number of works excerpts identified by the professors as beneficial for their students to read. MDS apparently produces better copies and at less cost than individual professors or students could.

The professors select the materials to be copied and deliver them to MDS with an estimate of the number of students expected in the course. The professors then assign the material to students enrolled in a particular class and inform them that they may purchase the required materials in coursepack form at MDS if they wish to do so. In the alternative, students are free to make copies of the excerpted material at the library themselves, to copy the material from other students, or to purchase the whole of the original work in which the assigned text appears.

MDS prepares a master copy of all the materials selected by the professor, creates a table of contents, identifies excerpts by author and name of the underlying work, numbers the pages, and then binds the copied excerpts together. These coursepacks are sold only to students for use in a particular course; they are not sold to the general public. Any copies that are not purchased are simply discarded. The coursepacks are priced on a per-page basis, regardless of the contents of the page. The fee for a page reproducing copyrighted materials is the same as the fee for a blank page. The professors receive no commissions or other economic benefit from delivering coursepack materials to MDS.

We are specifically concerned in this case with six excerpts extracted from works to which plaintiffs hold the copyrights. Following the direction of several professors who brought the excerpts to the defendants for copying, MDS assembled the excerpts, along with other materials not at issue in this suit, into three coursepacks. The excerpts copied ranged from 17 to 95 pages, or 5% to 30%, of the original works. Each of the requesting professors signed a declaration stating that he does not request copies of excerpts where he would otherwise have assigned the entire work to his students.

Each of the plaintiff publishers operates a department that receives and processes requests for permission to use any of that publisher's copyrighted works. The plaintiff publishers usually charge a fee for allowing others to copy portions of their works and generally share these fees with the authors. Sometimes the publishers grant permission to copy without charge, and other times they deny permission entirely.

II.

The Copyright Act both establishes a general grant of monopoly powers to holders of copyrights and codifies the "fair use" doctrine as an exception to that broad grant. Section 106 of the Copyright Act confers exclusive rights upon individual creators to distribute and produce their original copyrighted work and "derivative works based upon the copyrighted work." 17 U.S.C. § 106. However, section 107 carves out an exception to the exclusive rights conferred in section 106, permitting members of the public to use copyrighted works for "fair" purposes. 17 U.S.C. § 107. Whether a challenged use qualifies as a "fair use" is

to be determined by considering section 107's four fair use factors, which are set forth in the majority opinion, as well as any other relevant considerations. The four fair use factors, and any other relevant factors, must be applied and weighed together "in light of the purposes of copyright" protection. *Campbell v. Acuff-Rose Music, Inc.*, 114 S. Ct. 1164, 1171 (1994) (citing Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1104, 1110-11 (1990)).

"The primary objective of copyright is not to reward the labor of authors, but '[t]o promote the Progress of Science and useful Arts.'" *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) (quoting U.S. CONST. art. I, § 8, cl. 8). This court has explained:

> Copyrights provide an incentive for the creation of works by protecting the owner's use of his or her intellectual creation, allowing creators to reap the material rewards of their efforts. However, because not every use of a work undermines this underlying rationale of copyright law, and because some uses of copyrighted works are desirable for policy reasons, the courts have long held that many uses of a copyrighted work do not infringe upon the copyright.

National Rifle Ass'n of Am. v. Handgun Control Fed'n of Ohio, 15 F.3d 559, 561 (6th Cir.), *cert. denied*, 115 S. Ct. 71 (1994). Although monopoly protection of the financial interests of inventors and authors is sometimes necessary "to stimulate creativity and authorship, excessively broad protection would stifle, rather than advance," intellectual progress. Leval, *supra*, at 1109. For progress in "Science

and useful Arts" to occur, others must be permitted to build upon and refer to the creations of prior thinkers.

Thus, the "fair use" concept embodied in section 107 may be understood generally to permit a secondary use that "serves the copyright objective of stimulating productive thought and public instruction without excessively diminishing the incentives for creativity." Leval, *supra*, at 1110. An evaluation of fair use therefore "involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). Although section 107 mentions "teaching" and "multiple copies for classroom use" as possible fair uses, "the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement." *Campbell*, 114 S. Ct. at 1174. Thus, I agree with the majority that the production and use of the coursepacks must be examined under all four factors enumerated in section 107.

III.

A.

At the very outset, it is critical to understand, as I have earlier stated, that MDS's "use" of this copyrighted material is of the same essential character as "use" by a student who chooses to personally make a photocopy of the designated excerpts. There are two differences: 1) the student will further "use" the material in the classroom; and 2) MDS does the copying for the student for a profit.

The question that must ultimately be answered is whether that which is a fair use for a student — copying — is not a fair use if done for the student by another, and for a profit.

Plainly, the Copyright Act explicitly anticipates that use of a work by "reproduction in copies . . . for purposes such as . . . teaching (including multiple copies for classroom use)," will sometimes be a fair use even though teaching is commonly conducted for profit. 17 U.S.C. § 107.

Thus, MDS's copying of materials, which indisputably are for "teaching (including multiple copies for classroom use)," must be tested for fair use under the four "factors to be considered" in section 107. *Id.*

The first factor that courts must evaluate in a fair use determination is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." 17 U.S.C. § 107(1).

There are two parts to section 107's first factor: (1) the degree to which the challenged use has transformed the original, and (2) the profit or nonprofit character of the use. Both a non-transformative use determination and a "commercial" use determination weigh against a finding of fair use, though by no means conclusively.

The "purpose and character of the use" is examined to determine whether the questioned use would tend to advance or to thwart the goals of copyright law. The inquiry into the *transformative* aspect of the use assesses the likely benefit to society from the use — the more the original work has been transformed, the more likely it is

that a distinct and valuable new product has been created. The inquiry into the profit or nonprofit aspect of the use assesses both the likely benefit to society and the likelihood that the use will threaten the creators' incentives. Users with purely financial purposes are more likely to use the work for personal gain rather than other, socially laudable goals, and are more likely to be capturing the same economic rewards that motivated the creators of the original work. Thus, the ultimate inquiry under the first fair use factor is whether the type of use being challenged is, by its nature, likely to benefit society without excessively diminishing the incentives to create new works.

i.

Ordinarily, analysis of transformative character under the first prong of the first factor centers on "whether the new work merely 'supersede[s] the objects' of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is 'transformative.'" *Campbell*, 114 S. Ct. at 1171 (citations omitted). But in this case there is no occasion to address the transformative aspect because that inquiry is not conducted at all in the case of multiple copies for classroom use. The Supreme Court has noted in *dicta* that "[t]he obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution." *Campbell*, 114 S. Ct. at 1171 n.11. Thus, although the transformative value of the coursepacks is slight, it does not in any respect weigh against MDS's reproduction of excerpts for classroom use.

ii.

The second prong of the first fair use factor asks whether the purpose of the *use* is commercial or nonprofit and educational. *Id.* at 1174. The "fact that a publication [is] commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use." *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 562 (1985). The point here "is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price." *Id.* In my judgment, a party profits from "exploiting copyrighted material" when it assesses the marketable potential of copyrighted material, selects material based on its content in order to reproduce those portions that will attract customers, and therefore profits from the *substance* of the copyrighted work.

As a preliminary matter, we must first decide whose *use* of the coursepacks must be evaluated. The majority accepts the publishers' position that the only relevant "use" under the first factor is MDS's sale of the coursepacks to students, not the use of the purchased coursepacks by the professors and students. Having limited its inquiry to MDS's mechanical reproduction of the excerpts and for-profit charge for the technology and labor required to reproduce the relevant pages, the majority easily finds that the copyshop's "use" of the copyrighted works is "commercial." I do not find support for this abbreviated analysis in either the statutory text or the case law.

Certainly nothing in the language of the statute supports the majority's decision to analyze the copyshop's production of multiple copies of the excerpts as a "use"

completely independent from the classroom use of those copies. MDS, considered apart from the professors and students, does not "use" the "copyrighted work" in the sense primarily addressed in section 107; it uses a "master copy" of the excerpted material delivered to it by the professor, copy paper, ink, photocopying machines, mechanical binders, and related production materials to make the number of copies the professor has ordered. MDS could not care less whether Professor X asks it to copy selections from Walter Lippmann's *Public Opinion* or the 1996 University of Michigan Varsity Football roster. Either material is copied at a few cents a page, and MDS does not "use" the information from either — at least, not in the sense plainly contemplated by Congress in any of the language of section 107.

If the words used in section 107 are to be given their primary and generally accepted meaning, particularly in the context of the balance of the Copyright Act, it is obvious that the use that is to be evaluated for fairness in this case is the use to which the protected *substantive* text is put, not the mechanical process of copying it. Congress specifically identified "*teaching* (including *multiple copies* for classroom use)," § 107 (emphasis added), as an illustration of a possible fair use. Consequently, the act of copying (implicit in "multiple copies") is *within* the illustrative use of "teaching." MDS is not in the business of making copies of protected work in order to fill up warehouses or please the logging industry; it makes the copies *only* for classroom use. Neither the language of section 107 nor simple common sense warrant examining the production of multiple copies in a vacuum and ignoring their educational use on the facts of this case.

The majority claims that the Supreme Court's reasoning in *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 562 (1985), supports its decision to ignore the professors' and students' use of the coursepacks and focus exclusively on MDS's use. The difficulty with this approach is that the two situations are not parallel. In *Harper & Row*, the copyright holder of President Ford's unpublished memoirs sold the right to publish the first excerpts of the unpublished work to *Time Magazine*. Before *Time Magazine* could publish the excerpts, a competitor, *The Nation Magazine*, obtained an illicit copy of the manuscript and published a short article directly quoting some of President Ford's juiciest revelations. *The Nation Magazine*, in which the challenged article appeared, was, of course, sold to the general public. *Time Magazine* refused to fulfill its contract to pay the copyright holder for the right to use the memoirs since its "exclusive" right of "first publication" had already been "scooped." The majority opinion declares: "Like the students who purchased unauthorized coursepacks, the purchasers of *The Nation* did not put the contents of the magazine to commercial use — but that did not stop the Supreme Court from characterizing [*The Nation* magazine's] use of excerpts as 'a publication [that] was commercial as opposed to nonprofit. . . .'" Maj. op. at 9a (citation omitted). The majority's intended parallel does not bear close scrutiny.

There are two critical facts that distinguish *Harper & Row* from this case. First, in *Harper & Row*, the profit-seeking entity that sold excerpts to the nonprofit users — the members of the general public who purchased the magazine and "used" the copied material to educate themselves — was the same entity that obtained the original manuscript and *selected* portions for reproduction. Thus, *The Nation*

Magazine both directed the copying *and* profited from the copying. That is not this case. Here, a nonprofit entity (the professors) obtained the originals and selected portions for reproduction. The professors directed the copying but did not profit; MDS profited but did not direct what was to be copied. Second, in *Harper & Row*, the profit-seeking defendant, *The Nation Magazine*, carefully selected the material to be copied *for its content/substance* and sought to profit *from the content/substance* of the material that it reproduced, not from the mechanical service of reproduction itself. In this case, on the other hand, the profit-seeking defendant, MDS, neither selected the material to be copied for its content/substance nor sought to profit from the copyrighted material because of its substance; its purpose was to profit only from the mechanical services of photoreproduction and assembly.

With these distinctions in mind, I would approach the "commercial purpose" determination under section 107's first factor in a different way than the majority does. A use is "commercial" within the meaning of section 107 if the user seeks to profit from "exploiting" the copyrighted material. *Harper & Row*, 471 U.S. at 562. *Profiting* from exploiting copyrighted material requires more than profit obtained from a mechanical service. Profiting from *exploiting* copyrighted material involves an active role in assessing the value of, selecting, and marketing copied material based on its substance. In *Harper & Row*, the defendant magazine assessed the value of President Ford's original work, selected the portions it believed to be the most "powerful," advertised, sold, and profited from the sale of the unauthorized copies, based on their substance. *Harper & Row* would be of some relevance to the market value component of this case only if MDS were selecting excerpts by assessing their commercial value to the public,

assembling coursepacks for its own purposes, and marketing the coursepacks to professors or to the public without paying for the copyrighted materials. But that is not what MDS does or did. MDS's *profit* is attributable entirely to its provision of a mechanical service — running materials of value to others and selected by others through its photocopying machines and binding them. Because MDS made no attempt to assess the value of what it copied and did not select the materials for its copying services, it did not "exploit the copyrighted material without paying the customary price," as that was done in the *Harper & Row* case.

Certainly it is true that MDS "uses" the copyright work in the sense that it copies the copyrighted material that is handed to it by the professors. But it does not "use" the material independent of the university professors' and students' use; it is a participant in their use and its profits are derived only from photoreproduction services the students pay it to perform.

The business of producing and selling coursepacks is more properly viewed as the commercial exploitation of professional copying technologies and of the inability of academic parties to reproduce printed materials efficiently, not the exploitation of copyrighted, creative materials. The copyshop is a printer, engaging *solely* in the business of reproducing images on paper at the direction of others. Because MDS does not control the length or substance of the excerpts that it copies, its profit motive does not provide information about the tendency of its activity to impinge upon the rightful territory of authors and does not interfere with the incentives orchestrated by the Copyright Act. The for-profit nature of MDS's service does not weigh against a finding of fair use because MDS, the for-profit actor, does

not represent an institutional threat to authors and publishers' rightful profits.

The for-profit or nonprofit educational users whose purposes are linked to the authors' and publishers' incentives and therefore must be analyzed under this factor are the professors and students. The professors and students clearly do *use* Lippmann's work. The professors use Lippmann's ideas in meeting their professional obligation to teach their students, and the students use Lippmann's ideas in their effort to master the concepts of the course to which Lippmann's ideas pertain. The professors and students' classroom use of the excerpts of copyrighted material appears to be nonprofit. Although the professors and students are, in some sense, engaged in a for-profit endeavor — the professors teach for money and the students attend classes to obtain a commercially valuable degree — the purpose and character of the professors and students' use is not, on the facts of record in this case, "of a commercial nature." If "commerciality" meant only that the user employed the material while engaged in activity for profit, this one characteristic "would swallow nearly all of the illustrative uses listed in the preamble paragraph of § 107, including news reporting, comment, criticism, teaching, scholarship, and research, since these activities 'are generally conducted for profit in this country.'" *Campbell*, 114 S. Ct. at 1173 (quoting *Harper & Row*, 471 U.S. at 592). As I have said, the significant question in the first factor's inquiry into the purpose and character of the use is whether the copyrighted material is being *exploited* for profit without paying the customary price. The answer might well be affirmative if there were evidence that the professors were receiving commissions from the copyshop based on the number and length of coursepack orders that they placed; in such a case, the professors would be

profiting from their decision to assign excerpts and would represent a commercially-motivated systemic threat to the authors and publishers' incentives to create new works.

An assessment of the distinction between for-profit activity and exploitation is critical because the Supreme Court has commanded that we examine "'the nature and *objects* of the *selections* made'" in view of "the examples given in the preamble to § 107" and the purposes of copyright protection — that is, to promote science and the arts. *Campbell*, 114 S. Ct. at 1171 (emphasis added) (quoting *Folsom v. Marsh*, 9 F. Cas. 342, 348 (No. 4,901) (CCD Mass. 1841)). Additionally, in determining whether MDS's use is commercial, it is important to bear in mind the practical effect of such a finding, not just in the analysis conducted under the first factor but in the impact that a finding of "commercial" or "educational" has in the analysis conducted under the fourth factor, which considers "the effect of the use upon the potential market for or value of the copyrighted work . . . ." 17 U.S.C. § 107(4). A conclusion that a use is "commercial" weighs against a finding of fair use and, in fact, creates a "presumption" of market harm in the fourth fair use factor. *Sony*, 464 U.S. at 451. I conclude that the use of coursepacks in this case is not "commercial" within the meaning of section 107(1)'s "purpose and character of the use" language alone, but I am even more convinced that it is not "commercial" in view of section 107(4)'s "market harm" language: "the effect of the use upon the potential market for or value of the copyrighted work . . . ." § 107(4).

The Supreme Court has explained the presumption of market harm as follows:

> The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder's ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author's incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.[] Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work.

Sony, 464 U.S. at 450-51 (footnote omitted).

To repeat, the content of the coursepacks was not controlled by MDS but by the professors; and "the nature and objects of the selections made" by the professors were plainly nonprofit and educational. *Campbell*, 114 S. Ct. at 1171 (internal quotation marks and citation omitted). The professors selected excerpts, not out of any motive for financial gain, but solely in order to enrich the educational experiences of their students. MDS made *no* selections; its

motives for the activity that is challenged by the plaintiffs are not relevant.

It is consistent with the copyright scheme to find the use of these coursepacks to be noncommercial, to presume that they do not inflict market harm, and to require the publishers to prove that MDS's use is harmful to the value of the copyrighted works. Presuming that MDS's copying is not harmful to the value of the copyrighted works is appropriate because the identity and content of the excerpts is controlled entirely by persons whose motives are purely educational. Only where the use of copyrighted materials is directed by those seeking financial gain from the substance-based selection is it appropriate to *presume* that the secondary user is capturing profits that the creators of the works expected to capture and that may be important to maintaining incentives to create new original works. Similarly, the secondary product is appropriately viewed with suspicion — and presumed to upset the creator's incentives — when the party driving the use is primarily seeking to profit from its selections; where the selector acts in order to enrich his own coffers, it is less likely that society will benefit from his actions more than it will suffer from the resulting disincentives to create new works.

With regard to the professor-directed creation of coursepacks, it is not appropriate to presume that the practice of excerpting some materials harms the authors' rightful market and secures a benefit only to the excerpters. The more reasonable presumption is that society benefits from the additional circulation of ideas in the educational setting when those who direct the practice have no personal financial interests that would drive them to copy beyond the parameters of purely educational, and fair, use. The professors have no financial reason to copy mere excerpts

when the entire works should be assigned, and their selections should not be presumed to harm the market for the original works and lessen the incentives for authors to write or publishers to publish new works. Rather, such harm must be demonstrated. Society benefits when professors provide diverse materials that are not central to the course but that may enrich or broaden the base of knowledge of the students. Society is not benefitted by establishing a presumption that *discourages* professors from exposing their students to anything but complete original works even when most of the work is irrelevant to the pedagogical purposes, and students are not benefitted or authors/publishers *justly* compensated if students are required to purchase entire works in order to read the 5% or 30% of the work that is relevant to the course.

And so, in my view, the majority's market harm analysis is fatally flawed: If market harm is presumed when excerpts are selected by professors and market harm is proven when fees are not paid, we have ceded benefits entirely to copyright holders when we are actually required to engage in "a sensitive balancing of interests," *Sony*, 464 U.S. at 455 n.40, between "the interests of authors . . . in the control and exploitation of their writings . . . on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Id.* at 429. The majority apparently does not really accept the firmly established principle that copyright monopoly privileges "are neither unlimited nor primarily designed to provide a special private benefit[; rather, the privileges exist to achieve] an important public purpose . . . to motivate the creative activity of authors [*and*] to give the public appropriate access to their work product." *Id.*

The coursepacks fit within the *exception* to the "transformative" quality requirement, and the *predominant* character of the use of excerpts in coursepacks is not commercial but "nonprofit educational." The first factor therefore favors a finding of fair use.

B.

The second fair use factor, "the nature of the copyrighted work," 17 U.S.C. § 107(2), recognizes that fair use is more difficult to establish when the work being used is at "the core of intended copyright protection." *Campbell*, 114 S. Ct. at 1175. Factual compilations, such as telephone book listings and football rosters with only a small element of creativity and originality may be used more freely than creative works. *Feist*, 499 U.S. at 348-51. I agree with the majority that the materials copied in this case are much closer to the core of work protected by copyright than to the mere compilations of raw data in the phone books in *Feist*.

The second factor, on these facts, does little more than confirm that the works at issue are protected by copyright and may only be used "fairly." Thus, the fair use examination properly proceeds to factors three and four to determine whether this use of the excerpts is fair.

C.

The third factor considers "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." 17 U.S.C. § 107(3). I will not comment at length on this issue but will only note that I believe the majority has misunderstood this factor. The majority reasons that "to the extent that the third factor requires some type of assessment of the 'value' of the

excerpted material in relation to the entire work, the fact that the professors thought the excerpts sufficiently important to make them required reading strikes us as fairly convincing 'evidence of the qualitative value of the copied material.'" Maj. op. at 18a (citation omitted). However, the fact that the professors required students to read the excerpts says nothing whatsoever about the "substantiality" of the excerpted material *in relation* to the entire work. To the extent that the professors' decision to excerpt the material has any meaning, it suggests that the excerpts stand *separate* from the entire work, not that they are central and substantial to the entire work. The strongest inference is that the unassigned balance of the work bears minimal relevance to the assigned excerpt; if it were otherwise, the whole would likely have been assigned.

Additionally, I am puzzled by the majority's statement that the third factor may have more significance for the 95-page excerpt that is 30 percent of the entire work than for the 17-page excerpt that is 5 percent of the entire work, but that in each instance, the third factor weighs against a finding of fair use. The majority apparently sees no important analytical difference between a 30% excerpt and a 5% excerpt. There is no bright-line rule to tell us how large of an excerpt renders it unfair as a matter of law, nor how small an excerpt is so small as to be conclusively fair. In *Sony*, the Court found the use to be fair even though the *entire* work was reproduced, whereas in *Harper & Row* the use was found to be unfair even though only 300 words of copyrighted material — an insubstantial portion of President Ford's memoirs — were reproduced without permission.

The third factor turns not only on the quantity of the materials used, but also on their quality and importance. *Campbell*, 114 S. Ct. at 1175.

In the context of a musical parody's use of a copyrighted song, the Supreme Court interpreted this factor to assess whether the quantity and value of the materials used were reasonable in relation to the purpose of the copying, noting that "the extent of permissible copying varies with the purpose and character of the use." *Id.* As the Supreme Court acknowledged, "[t]he facts bearing on this factor will also tend to address the fourth [factor, which evaluates market effect], by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives." *Id.* Thus, we should ask whether such substantial portions of a copyrighted work were used that a coursepack supersedes the copyrighted work, "fulfilling demand for the original." *Id.* at 1176.

There is no evidence whatsoever that any of the six excerpts in the coursepacks are so substantial as to supersede the original works. The only evidence of record is the professors' declarations that they do not excerpt material when they would otherwise assign the entire work and the expressed preference of one publisher to have the entire work assigned rather than excerpted. The publishers have submitted a declaration stating that, in accordance with established practices, permission would have been denied, even if sought, with regard to the excerpt from *Public Opinion*, by Walter Lippmann. The *publisher* considers the excerpt so lengthy and the published edition sufficiently inexpensive that the book should have been purchased rather than copied with permission, for a fee. The declarant opined that copying 46 pages would adversely affect book sales, but offered no factual support for this statement. The

fact that the publisher would prefer the book to be purchased is not relevant to the third-factor analysis. Each of the professors who delivered the materials to MDS signed a statement that he would not otherwise have assigned the copyrighted work to the class. Nothing in the record contradicts these declarations.

The majority appears to dismiss these declarations only because the professors did not further declare that they would not have assigned coursepacks that included the cost of a minimal permission fee; "what seems significant to us is that none of these affidavits shows that the professor executing the affidavit would have refrained from assigning the copyrighted work if the position taken by the copyright holder had been sustained beforehand. . . . [The professors do] not say that [they] would have refrained from assigning" the contested works if they had known that the copyshop had been required to pay a permission fee. Maj. op. at 14a. Indeed, they did not say that; and there are a good many other things about the assigned excerpts that they did not say. But those unstated matters do not diminish in any way the truth or the force of what was said. This court should not expect the professors to assert that had the publishers done what they have no right to do, the professors would not have assigned the materials. If the publishers have the right to charge one penny per page copied, they also have the right to charge $50 per page copied. It is irrelevant and unknowable to ask how high the fees charged for permission would have to be before the professors would not assign the excerpts if the copyshop paid permission fees.

The lengthiest excerpt used in one of the coursepacks comprised 30% of *Farewell to the Party of Lincoln: Black Politics in the Age of FDR*, by Nancy J. Weiss, the original copyrighted work. Other excerpts ranged from 5% to 18%

of the original works. There is no evidence to suggest that even the 30% selected from Weiss's book extracted the heart of the work rather than just those portions that the professor deemed instructive for his limited classroom purposes. The record is simply silent on the point. *Cf. Harper & Row*, 471 U.S. at 565-66. Given the uncontroverted declarations of the professors that they would not have assigned the original works even if copied excerpts were not available, there is no basis to conclude that the portions extracted from the copyrighted works were so substantial that the resulting coursepacks superseded the originals. As the district court noted, the six excerpts at issue in this case "are truly 'excerpts,' and do not purport to be replacements for the original works." *Princeton*, 855 F. Supp. at 910.

There is absolutely no evidence in the record to support a finding that the copyrighted works at issue were excerpted so substantially that the coursepacks superseded the original works or otherwise exceeded the proper educational purposes that could justify the reproduction. Thus, the third factor favors a finding of fair use.

D.

The fourth fair use factor is "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4). Under this factor, courts must consider the extent of market harm caused by the particular actions of the alleged infringer and "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original." *Campbell*, 114 S. Ct. at 1177 (internal quotation marks omitted). The fourth factor is the single most important element of fair use,

Harper & Row, 471 U.S. at 566, and "must take account not only of harm to the original but also of harm to the market for derivative works." *Id.* at 568.

I have concluded that analysis under the first factor establishes the character of the use of coursepacks as noncommercial, and that, therefore, a proper analysis under the fourth factor begins with a rebuttable resumption that the plaintiffs have suffered no market harm and thus have the burden of proof on market effect. *See* part III.A.ii., *supra*. But, even in the absence of a presumption against market effect, the fourth factor, correctly construed, weighs in favor of a finding of fair use on the record before us.

For plaintiffs to prevail, there must be at least a meaningful likelihood that future harm to a potential market for the copyrighted works will occur. In *Sony*, the Court held:

> A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. . . . What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists.

Sony, 464 U.S. at 450-51. Works or uses that creators of original works would "in general develop or license others to develop" make up the market for potential derivative uses. *Campbell*, 114 S. Ct. at 1178. The plaintiffs certainly have not demonstrated that the coursepacks affected the market for the original copyrighted works.

Neither have they presented any evidence of likely harm to their potential market for derivative works, such as *published* anthologies. Remarkably, they have limited their showing of "market effect" to the loss of *permission fees* that they would like to receive from copyshops like MDS. But that is not a "market harm" within the meaning of section 107(4). To prove entitlement to permission fees, the publishers must show market harm and the market harm they claim is the loss of permission fees. MDS's coursepacks would inflict "market harm" if they damaged the *value* of the original work or the *value* of derivative products such as coursepacks the publishers might wish to market.

The original panel opinion, now vacated, stated:

> [E]vidence of lost permission fees does not bear on market effect. The right to permission fees is precisely what is at issue here. It is circular to argue that a use is unfair, and a fee therefore required, on the basis that the publisher is otherwise deprived of a fee.

Princeton Univ. Press v. Michigan Document Services, No. 94-1778, 1996 WL 54741, at *11 (6th Cir. Feb. 12, 1996), *reh'g granted*, 74 F.3d 1528 (6th Cir. 1996). The majority now claims that this charge of circular reasoning "proves too much." The majority asks the reader to

> [i]magine that the defendants set up a printing press and made exact reproductions — asserting that such reproductions constituted "fair use" — of a book to which they did not hold the copyright. Under the

> defendants' logic it would be circular for the copyright holder to argue market harm because of lost copyright revenues, since this would assume that the copyright holder had a right to such revenues.

Maj. op. at 11a.

The majority's logic would *always* yield a conclusion that the market had been harmed because *any* fees that a copyright holder could extract from a user if the use were found to be unfair would be "lost" if the use were instead found to be "fair use." The majority acknowledges that "a copyright owner will normally be able to complain that an asserted fair use may cause some loss of revenues in potential licensing fees" but resolves this problem by restricting its consideration of the loss of permission fees to the case of derivative markets that are "'traditional, reasonable, or likely to be developed markets.'" Maj. op. at 12a (quoting *American Geophysical Union v. Texaco*, 60 F.3d 913, 930-31 (2d Cir.), *cert. dismissed*, 116 S. Ct. 594 (1995)). Under this approach, the majority would find that the copyright holders' monopoly over potential uses of the copyrighted works at issue in *Princeton* includes "the selling of permission to reproduce portions of the works for inclusion in coursepacks — and the likelihood that publishers actually will license such reproduction is a demonstrated fact." Maj. op. at 13a.

The majority cites *Harper & Row* and *Campbell* as support for its reasoning that the mere loss of licensing fees — to which the copyright holder may or may not be entitled — is proof of market harm. The majority notes that in *Harper & Row*, the plaintiff did not challenge a use (the unauthorized article's direct quotes) based on its impact on

sales of the entire work (the not-yet-published memoirs) but based on its harm to the market for the licensing of excerpts. There is a subtle but important distinction to be made between the facts in *Harper & Row* and the facts in this case. In *Harper & Row* there was proof that the copyright holder conceived of a potential derivative work (the planned *Time Magazine* articles) and took meaningful steps to aid in the creation of that derivative work and to capture profits from that creation. The *value* of the planned derivative work was harmed by the defendants' unauthorized use of the original work; the copyright holder lost its contract with *Time Magazine* — and concomitant fees — for the exclusive right to print prepublication excerpts of President Ford's memoirs when *The Nation Magazine* illicitly obtained a copy of the unpublished manuscript and produced a short article quoting from the heart of the manuscript. Thus, in *Harper & Row*, the *value* of the original work *in a derivative market that was targeted by the copyright holder* was harmed by the unauthorized use of the work. There is no similar evidence of injury to the value of a work in this case.

First, there is no evidence that the publishers, here, planned to create any products for a derivative market; no evidence, for instance, that the copyright holders sought to publish or license a competing compilation of excerpts to attract the interest, for instance, of the students in Professor Dawson's interdisciplinary course "Black Americans and the Political System." Second, even if there was evidence that the publishers had contemplated such a product, there is no evidence that the publishers' derivative compilation would be devalued by defendant's production of coursepacks; that is, there is no evidence that such a compilation would earn less because of the existence of coursepacks. In *Campbell*, 114 S. Ct. at 1178-79, for instance, the Court declined to

find market harm based solely on undisputed evidence that the unauthorized user created a profitable product — rap-parody — from the original; the Court noted that the rap-parody version was not shown to affect the market for an authorized, non-parodic rap version of the original. It might at first appear that the publishers are, by definition, able to design and market a collection of excerpts and that the existence of other, unauthorized, collections will necessarily replace some of the authorized copies and thereby leach profits that the publishers could otherwise capture. However, neither the facts on this record nor any case law support such a leap in logic.

The fact is that the plaintiffs are not able to create a market for the product that MDS produces. To the extent that MDS serves a market at all, it is one created by the individual professors who have determined which excerpts from which writers they wish to comprise the required reading for a particular course. If the publishers decided to create an anthology of excerpts from its copyrighted works on, for example, "The Black Experience," it would not fill the market niche created by Professor X who is interested in very different materials. Indeed, the publishers do not claim to have lost an account for customized materials with a specific professor because of a copyshop coursepack; nor do they claim to be prepared to enter this highly-customized market. The argument that the publishers seek to enter the derivative market of customized materials by licensing MDS and other copyshops, who create such compilations, and that MDS's publication of unauthorized compilations interferes with their ability to obtain licensing fees from other copyshops simply returns the publishers to their original circular argument that they are entitled to permission fees, in part, because they are losing permission fees.

The publishers do not identify potentially marketable specialty materials and license copyshops to produce the compilations as true derivative works; rather, the publishers reject any active role in identifying potential derivative markets or creating derivative works and seek to impose a tax/surcharge on the unique compilations that are designed by individual professors and assembled by MDS for use in a specific course. Thus, the facts do not suggest that the value of any conceived derivative work has been damaged by the defendant's production of coursepacks. The key distinction is between simple economic detriment to the copyright holder when permission fees are not paid by the user — a "harm" that will always be present — and harm to the *value* of a product — either the original work or a derivative product — that the copyright holder seeks to market. Application of the value/detriment distinction serves the purposes of the Copyright Act as the established/reasonable definition advanced by the majority does not.

The guiding principle of the Copyright Act is that the financial earnings of original works be channeled exclusively to the creators of the works insofar — and *only* insofar — as they are necessary to motivate the creation of original works and do not excessively impede the advancement of science and the arts through the public dissemination of knowledge, research, scholarship, news-reporting, teaching, criticism, and the like. The copyright holder's statutory monopoly does not encompass profits from derivative works that the copyright holders do not themselves seek to market or that do not harm the value of works that the copyright holders do seek to market; the monopoly privileges need not include these profits because these profits do not function as incentives to prospective creators.

Here, there is no indication of harm to the market of the original copyrighted works. There is no evidence that the coursepacks act as a substitute for purchase of the entire works. MDS has alleged that no sale of a copyrighted book has been lost to the publishers because of the coursepacks, and MDS has submitted declarations from professors stating that the professors do not request excerpts when they would otherwise assign the entire work. Because the professors would not have assigned the original works in any case, the students who purchased coursepacks were not a demonstrable market diverted from purchasing the works. If it had any effect at all, use of the excerpted materials enhanced the prospect that the original works might later be of interest to the student. Students might purchase the copyrighted works when, for example, taking other courses in the same discipline, conducting more extensive research into a subject touched upon in an excerpt, or doing graduate work in a broader field to which the excerpted material later appeared relevant and was recalled. The publishers have produced no evidence that any sale of an original work has been lost.

Nor is there any indication of harm to a derivative market from which authors or their publishers expected to receive profits that were necessary to their respective decisions to write or publish the original works. As I have said, the publishers do not claim that they sought to publish compilations or anthologies but were thwarted by the existence of the coursepacks. There is no evidence that the publishers are interested in or capable of customizing their copyrighted works to accommodate the specific, limited, and frequently updated requests of individual professors. There is no evidence even that the publishers seek to license the compilation of excerpts by a third party who is equipped to assemble the compilations but refuses to do so without an

agreement that the publishers grant it exclusive rights to publish the excerpts. Thus, there is no evidence that the value of the copyrighted works in a potential market was harmed in any way by the production of the coursepacks challenged in this case.

Therefore, I would conclude that there is no evidence of market effect and that the fourth, and most important factor, weighs decisively in favor of "fair use."

E.

I disagree with the majority's conclusion that copyshop permission fees provide an important incentive to authors and publishers. The right — and its parameters — to monopolize profits from original works is created by statute and limited to those profits that provide necessary incentives to the creation of new works without unduly impeding the flow of information in the public, especially where the free flow of information serves socially significant functions, including teaching through multiple copies for classroom use.

More than one hundred authors declared on the record that they write for professional and personal reasons such as making a contribution to a particular discipline, providing an opportunity for colleagues to evaluate and critique the authors' ideas and theories, enhancing the authors' professional reputations, and improving career opportunities. These declarants stated that the receipt of immediate monetary compensation such as a share of licensing fees is *not* their primary incentive to write. The declarants advocate wide dissemination of excerpts from their works via coursepacks without imposition of permission fees where the works in their entirety would not

have been assigned in any case. The fact that incentives for producing higher education materials may not revolve around monetary compensation is highly relevant. The inclusion of excerpts in coursepacks without the payment of permission fees does not deprive authors of the rewards that the record indicates authors value, such as recognition.

The majority dismisses the motives of the authors — the actual creators — and concludes that what matters is the incentives to the publishers who hold the copyrights. The majority further concludes, without any evidence, that the licensing income from the permission-to-copy market is significant to publishers in individual cases, and that publishers need the economic incentive of licensing fees to publish academic works. The majority speculates: "If publishers cannot look forward to receiving permission fees, why should they continue publishing marginally profitable books at all? And how will artistic creativity be stimulated if the diminution of economic incentives for publishers to publish academic works means that fewer academic works will be published?" Maj. op. at 22a.

Despite the initial appeal of this reasoning, it is far from clear that the licensing income is significant to publishers in their decisions about whether to publish marginally profitable books. The fact that licensing income provides some welcome income in the aggregate does not mean that it provides an incentive to publishers to act in individual cases. There is, in fact, no indication that the paltry permission fees affect the publishers' decisions about whether to publish in individual cases. Given that the per-page fee currently demanded by publishers — and, until now, successfully extracted from other copyshops perhaps too timid to "make a federal case" of the issue — is so small that it is almost inconceivable that this fee, or the

anticipation of this fee, affects in any meaningful way the publishers' decisions about whether to publish any given work. MDS's use of the copyrighted works appears to have no impact on incentives to authors to create new works, and may even *provide* authors incentive to write, thereby advancing the progress of science and the arts. But, like the majority, I speculate on the matter; there is no evidence in the record, either way.

Finally, a word about the majority's argument that the unenacted legislative history of the Copyright Act instructs us that the MDS's copying function is not a fair use under the enacted provisions of sections 106 and 107.

F.

The majority opinion stresses the fact that Congress "initiated and supervised negotiations among interested groups — groups that included authors, publishers, and educators — over specific legislative language [and that m]ost of the language that emerged was enacted into law or was made a part of the committee reports." Maj. op. at 19a. However, what were not "enacted into law," but only made a part of the conference committee reports, are the Classroom Guidelines upon which the majority so heavily relies to decide how the language enacted into law applies. Indisputably, the Classroom Guidelines assure educators that nonprofit copying for educational purposes of "not more than 1,000 words" is fair use when "[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission." H.R. REP. NO. 1476 at 68-71. The Classroom Guidelines "prohibit[] . . . [c]opying . . . used to create . . . anthologies, compilations or collective works."

H.R. REP. NO. 1476 at 69. But, as the majority opinion acknowledges, that language did not survive congressional debate and was not enacted into law.

Despite the well-settled rule that legislative history is irrelevant and inappropriate to consider except to clarify an ambiguity in the text of a statute, the majority relies upon the legislative history without identifying any ambiguity in the statute, but only because "[t]he statutory factors are not models of clarity, . . . the fair use issue has long been a particularly troublesome one . . . , [and other] courts have often turned to the legislative history when considering fair use questions." Maj. op. at 19a. I wish to emphasize in the strongest terms that it is entirely inappropriate to rely on the Copyright Act's legislative history at all.

As Justice Scalia has observed, "The greatest defect of legislative history is its illegitimacy. We are governed by laws, not by the intentions of legislators." *Conroy v. Aniskoff, Jr.*, 507 U.S. 511, 519 (1993) (Scalia, J., concurring). The Classroom Guidelines do not become more authoritative by their adoption into a Committee Report. "[I]t is the statute, and not the Committee Report, which is the authoritative expression of the law." *City of Chicago v. Environmental Defense Fund*, 114 S. Ct. 1588, 1593 (1994). We may not permit the statutory text enacted by both Houses of Congress and signed by the President "to be expanded or contracted by the statements of individual legislators or committees during the course of the enactment process." *West Virginia Univ. Hosps., Inc. v. Casey*, 499 U.S. 83, 98-99 (1991). That the Classroom Guidelines are not law should be reason enough for this court to refrain from using them to find infringement, but this is not the only reason to reject out of hand arguments based on legislative history. Committee Reports are unreliable "as

a genuine indicator of congressional intent" *and* "as a safe predictor of judicial construction." *Wisconsin Pub. Intervenor v. Mortier*, 501 U.S. 597, 617, (1991) (Scalia, J., concurring). Committee Reports do not accurately indicate congressional intent because they do not "necessarily say anything about what Congress as a whole thought," *even if* all the members of the Committee "actually adverted to the interpretive point at issue . . . [and] were in unanimous agreement on the point." *Id.* at 620. The members of Congress who voted for the statutory language of section 107 could have had any variety of understandings about the application of the fair use factors; all we know for certain is that the full House, the full Senate, and the President, pursuant to the procedures prescribed by the Constitution, enacted into law the text of section 107, and did not enact the standards of the Classroom Guidelines. *Id.* at 621. Committee Reports do not reliably further consistent judicial construction. I subscribe wholeheartedly to Judge Harold Leventhal's observation that "the use of legislative history [is] the equivalent of entering a crowded cocktail party and looking over the heads of the guests for one's friends." *Conroy*, 507 U.S. at 519 (Scalia, J., concurring). "We use [Committee Reports] when it is convenient, and ignore them when it is not." *Mortier*, 501 U.S. at 617.

The statutory language of section 107, like most statutory language, may not be a "model of clarity," and the fair use issue, like many issues of law we face, may be a difficult or "troublesome" one, but neither of these inconveniences is a substitute for the requisite ambiguity that, alone, justifies recourse to legislative history.

Our duty in this case, as in all cases that require application of a statute, is to apply the broad dictates of the

statute to the unique factual situations presented by the evidence. The fact that the Supreme Court has indulged in explanatory side-references to the Classroom Guidelines, *see, e.g.*, *Campbell*, 114 S. Ct. at 1170; *Harper & Row*, 471 U.S. at 549-53, does not diminish in any measure the *rule* that legislative history is not a proper source of authority for this court when the language of the statute is not analogous. It is particularly inappropriate to rely on the specific language of the Classroom Guidelines as an interpretive tool when we know that members of Congress actually considered the language and rejected it in favor of the very language now claimed to lack clarity. The majority substitutes language contained only in pre-enactment political maneuvering of Congress for our obligation to rely, as we are required to do, on the rich body of case law that properly guides our application of the statutory factors to the specific facts of a case. In *Campbell*, 114 S. Ct. at 1170, the Court noted that "[t]he task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis."

The case for copyright infringement is very weak indeed if the court must rely on the unenacted theater of Committee Reports to find infringement. The fact that Congress saw fit, very likely in the interests of political expediency, to pay unusual deference to the "agreement" of interested parties about what *they* would like the law to be, even to the point of declaring (but not in the statute) that the parties' agreement was part of the committee's "understanding" of fair use, does not affect the rule of construction that binds this court.

In sum, even if the four statutory factors of section 107 are not "models of clarity" and their application to the facts of this case is "troublesome" — a challenge of the kind

federal appellate judges are paid to face every day — the four factors are not ambiguous. Therefore, we may not properly resort to legislative history. I am satisfied to rely exclusively upon the evidence and lack of evidence on the record before us and the plain language of the Copyright Act and its construction in the case law; and they lead me to conclude that MDS's compilation into coursepacks of excerpts selected by professors is a "fair use" of the copyrighted materials.

IV.

For all the foregoing reasons, I conclude that MDS did not infringe upon the copyrights of the publishers.

APPENDIX B

PANEL OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT, FILED FEBRUARY 12, 1996

[APPENDIX B]

No. 94-1778

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

PRINCETON UNIVERSITY PRESS, MACMILLAN, INC., and ST. MARTIN'S PRESS, INC.,
Plaintiffs-Appellees,

v.

MICHIGAN DOCUMENT SERVICES, INC., and JAMES M. SMITH,
Defendants-Appellants.

ON APPEAL from the United States District Court for the Eastern District of Michigan

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Decided and Filed February 12, 1996

Before: NELSON, RYAN, and McKAY, *** Circuit Judges.

***The Honorable Monroe G. McKay, Circuit Judge of the United States Court of Appeals for the Tenth Circuit, sitting by designation.

RYAN, J., delivered the opinion of the court, in which McKAY, J., joined. NELSON, J., delivered a separate opinion concurring in part and dissenting in part.

RYAN, Circuit Judge. The plaintiffs, Princeton University Press, MacMillan, Inc., and St. Martin's Press, Inc., brought a copyright infringement action against the defendants, Michigan Document Services, Inc. and James M. Smith, president of MDS. The suit alleges that the defendants infringed copyrights held by the plaintiffs when MDS made multiple copies of excerpts from various materials provided by University of Michigan professors, compiled these copies into "coursepacks," and sold the coursepacks to students for a profit. The district court granted summary judgment to the plaintiffs, found that the defendants' infringement was "willful," and issued an injunction against the defendants. The defendants appeal the district court's decision, defending their copying practices primarily on the ground that the coursepacks are a "fair use" of the copyrighted works and therefore not an infringement. We agree with the defendants that their use is a "fair use" as defined in the Copyright Act of 1976, 17 U.S.C. § 107, and reverse.

I.

Michigan Document Services is a so-called "copy shop" and provides general photoreproduction services to the public. Some of its profits are derived from the sale of "coursepacks" to professors and students. Coursepacks are compilations of various copyrighted and uncopyrighted materials, which may include journal articles, newspaper articles, course notes or syllabi, sample test questions, and excerpts from books. Professors select the contents of the coursepacks and deliver the selected materials to MDS with

an estimate of the number of students expected in the course. The professors assign the material to students enrolled in a particular class and inform these students that they may purchase the required materials in coursepack form at MDS if they wish. In the alternative, students are free to make copies of the excerpted material at the library themselves, to copy the material from other students, or to purchase the original works. MDS prepares a master copy of all the materials obtained from the professor, creates a table of contents, identifies excerpts by author and name of the underlying work, numbers the pages, and then binds the copied excerpts together. These coursepacks are sold only to students for use in a particular course. They are not sold to the general public; any copies that are not purchased are simply discarded. The coursepacks are priced on a per-page basis, regardless of the contents of the page; that is, the fee for a page reproducing copyrighted materials is the same as the fee for a blank page.

We are specifically concerned in this case with six excerpts extracted from works to which plaintiffs hold the copyrights. Following the direction of several professors who brought the excerpts to the defendants for copying, MDS assembled the excerpts, along with other materials not at issue in this suit, into three coursepacks. MDS copied 95 pages, or 30%, of *Farewell to the Party of Lincoln: Black Politics in the Age of FDR*, by Nancy J. Weiss; 45 pages, or 18%, of *Public Opinion*, by Walter Lippmann; 77 pages, or 18%, of *The Nature of Human Values*, by Milton Rokeach; 78 pages, or 16%, of *Political Ideology: Why the American Common Man Believes What He Does*, by Robert E. Lane; 52 pages, or 8%, of *Social Psychology*, by Roger Brown; and 17 pages, or 5%, of *Where the Domino Fell: America and Vietnam, 1945 to 1990*, by James S. Olson and Randy Roberts. Each of the requesting professors signed a

declaration that he does not request copies of excerpts where he would otherwise have assigned the entire work to his students. MDS sold the coursepacks containing these six excerpts to students at the University of Michigan for use in the 1992 winter semester.

Each of the plaintiff publishers operates a department that receives and processes requests for permission to use any of that publisher's copyrighted works. The plaintiff publishers usually charge a fee for allowing others to copy portions of their works and generally share these fees with the authors. Sometimes the publishers grant permission to copy without charge, and other times they deny permission entirely.

MDS did not seek permission to copy any of the six excerpts or pay any royalties or permission fees for the use of the excerpts before selling them to the students. Although only six excerpts are at issue here; the president of MDS estimates that the excerpts at issue are among several thousand such excerpts for which permission to copy was never sought.

II.

The publishers obtained preliminary injunctive relief against MDS in the district court. The publishers and MDS then filed cross motions for summary judgment. In its subsequent order and judgment, the district court granted the publishers' motion for summary judgment as to liability and denied MDS's motions for summary judgment. The district court found that MDS had willfully infringed the publishers' copyrights, and, pursuant to 17 U.S.C. § 504(c), awarded the publishers statutorily enhanced damages of $5000 per infringed work, for a total of $30,000, plus

attorney fees. The district court enjoined MDS from "copying any of plaintiffs' existing or future copyrighted works without first obtaining the necessary permission." *Princeton Univ. Press v. Michigan Document Services, Inc.*, 855 F. Supp. 905, 913 (E.D. Mich. 1994).

This court determines *de novo* whether, viewing the evidence in the light most favorable to the party against whom summary judgment has been granted, the moving party has demonstrated that there is no genuine issue of material fact and that it is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). The question on review of a summary judgment is "'whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one sided that one party must prevail as a matter of law.'" *National Rifle Ass'n v. Handgun Control Fed'n*, 15 F.3d 559, 561 (6th Cir.) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 251-52 (1986)), *cert. denied*, 115 S. Ct. 71 (1994).

III.

The publishers allege that MDS's for-profit copying and assembling of excerpts from copyrighted works violates the publishers' exclusive copyrights. The publishers argue that MDS and the publishers compete in the same market. The plaintiffs publish textbooks, anthologies, collections of readings, and other works designed to be useful in the college classroom. The publishers hope that college professors will assign these books and that students will purchase them. In addition to publishing books themselves, the publishers license others, including copy shops like MDS, to use portions of their copyrighted works.

When a professor is dissatisfied with existing published materials, he may designate the readings selected from a number of sources that best suit his specialized purposes and request that MDS, or a similar service, compile a coursepack of these readings. The publishers argue that MDS, like the publishers themselves, hopes that professors will assign, and students will buy, its "books." The publishers emphasize that MDS advertises its services and advertises the fact that coursepacks can be used "to replace a conventional textbook." Thus, the publishers characterize MDS as a fellow competitor in the higher education market — a competitor who exploits their copyrighted materials without paying the customary fee.

The publishers allege that the coursepacks prepared by MDS do not constitute fair use of copyrighted works for a number of reasons: the coursepacks have no transformative value; the coursepacks are prepared for commercial purposes; the excerpts are of substantial length and constitute the heart of each work as identified by the requesting professor; the copyrighted works excerpted are valuable, original works at the very core of copyright protection; and MDS's refusal to pay permission fees affects an established derivative market in which licensed users pay to copy excerpts of copyrighted works for a variety of purposes.

The publishers rely on the legislative history of the Copyright Act. Specifically, they rely on the Classroom Guidelines, which House and Senate conferees "accept[ed] as part of their understanding of fair use . . . with respect to books and periodicals" prior to enactment of the Copyright Act. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 68 (1976). The Classroom Guidelines assure educators that non-profit copying for educational purposes of "not more than 1,000

words" is fair use when "[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission." H.R. REP. NO. 1476 at 68-71. The Classroom Guidelines "prohibit[] . . . [c]opying . . . used to create . . . anthologies, compilations or collective works." H.R. REP. NO. 1476 at 69. The publishers argue that MDS's use of the excerpts far exceeds the "safe harbor" of protection offered by the Guidelines in that MDS copies excerpts that are much longer than 1,000 words, copies for profit, creates anthologies, and copies without permission although it has ample time to seek permission from copyright holders.

MDS, on the other hand, emphasizes that the public has a right to make fair use of a copyrighted work, and to exercise that right without requesting permission from, or paying any fee to, the copyright holder. Because the primary purpose of the Constitution's Copyright Clause is not to enrich authors and inventors but to encourage the progress of science and the production of creative works for the public good, only unfair uses of copyrighted materials are prohibited; fair uses are affirmatively guaranteed to the public. The defendant therefore argues that MDS's production of coursepacks at the direction of professors cannot violate copyright law because the mere mechanical photoreproduction of materials is not a "use" of those materials in the first place. Further, MDS alleges, the classroom use of the coursepacks promotes learning without undue harm to the incentives to create original works; any copying done at the direction of professors who are making fair use of the materials is therefore authorized as necessary and incidental to that fair use.

Professors select materials to expose their students to theories, facts, and recent developments in the field that are most relevant to the individual professor's classroom goals. When the materials selected are not so central to the course or are not so lengthy as to justify, in the professor's judgment, requiring students to purchase the entire original work in which the relevant portions appear, a professor may seek to compile a coursepack of excerpts. Rather than produce multiple copies of the relevant selections themselves or require their students to spend time producing individual copies from scarce library materials, professors request that MDS, or a similar service, copy and assemble the excerpts selected; MDS produces better copies at less cost than individual students could.

MDS notes that professors receive no commissions or other economic benefit from delivering coursepack materials to MDS, and that the publishers lose no sales since the copyrighted works would not otherwise have been assigned. Thus, even assuming that the mechanical photoreproduction of excerpts does amount to a "use" under the Copyright Act, MDS argues that its production of copies for academic use does not violate copyright law.

IV.

Modern copyright law is derived from the Framers' conviction that providing a secure economic incentive to individuals is the best way to stimulate development of "Science and useful Arts" to the ultimate benefit of the general public: "The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

The Supreme Court has acknowledged repeatedly "the inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it," *Campbell v. Acuff-Rose Music, Inc.*, 114 S.Ct. 1164, 1169 (1994), and thereby maximize progress. Although monopoly protection of the financial interests of inventors and authors is necessary "to stimulate creativity and authorship, excessively broad protection would stifle, rather than advance," intellectual progress. Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1104, 1109 (1990). For progress in "Science and useful Arts" to occur, others must be permitted to build upon and refer to the creations of prior thinkers. Accordingly, three judicially created doctrines have been fashioned to limit the copyright monopoly and its potentially stifling effects: first, copyright law does not protect ideas but only their creative expression; second, *facts* are not protected, regardless of the labor expended by the original author in uncovering them; and, third, the public may make "fair use" of the copyrighted works. MDS relies most heavily on the fair use doctrine.

The Copyright Act both establishes a general grant of monopoly powers to holders of copyrights and codifies the "fair use" doctrine as an exception to that broad grant. Section 106 of the Copyright Act confers exclusive rights upon individual creators, providing in relevant part as follows:

> Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:
>
> (1) to reproduce the copyrighted work in copies or phonorecords;

> (2) to prepare derivative works based upon the copyrighted work;
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.

17 U.S.C. § 106.

Section 107 carves out an exception to the exclusive rights conferred in section 106, permitting members of the public to use copyrighted works for "fair" purposes:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include —
>
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;

> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107.

The four fair use factors "are to be . . . weighed together, in light of the purposes of copyright," *Campbell*, 114 S. Ct. at 1171 (citing Leval, *supra*, at 1110-11), and "[t]he primary objective of copyright is not to reward the labor of authors, but '[t]o promote the Progress of Science and useful Arts.'" *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) (quoting U.S. CONST. art. I, § 8, cl. 8). Thus, the "fair use" concept embodied in section 107 may be understood generally to permit a secondary use that "serves the copyright objective of stimulating productive thought and public instruction without excessively diminishing the incentives for creativity." Leval, *supra*, at 1110. An evaluation of fair use therefore "involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). Despite statutory mention of "teaching" and "multiple copies for classroom use" as possible fair uses, § 107, "the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement." *Campbell*, 114 S. Ct. at 1174. Thus, here, the use must be examined under all four factors as must any other allegedly infringing work.

The four statutory factors are unambiguous. Therefore, we need not resort to the legislative history. Congress could easily have enacted the Classroom Guidelines into law by including the Guidelines in the language of section 107; it chose instead to establish four broad factors to be considered in a case-by-case analysis of *all* alleged fair uses, even classroom uses, of copyrighted material. We are bound by Congress' decision. The publishers' reliance on the Classroom Guidelines is misplaced; we may not permit the statutory text enacted by both Houses of Congress "to be expanded or contracted by the statements of individual legislators or committees during the course of the enactment process." *West Virginia Univ. Hosps., Inc. v. Casey*, 499 U.S. 83, 98-99 (1991). Thus, we rely exclusively upon the language of the Copyright Act, and its construction in the case law, to determine whether MDS's compilation into coursepacks of excerpts selected by professors is a "fair use" of the copyrighted materials.

V.

A.

The first factor that courts must evaluate in a fair use determination is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." 17 U.S.C. § 107(1). There are two parts to this test: (1) the degree to which the challenged use has transformed the original, and (2) the profit or nonprofit character of the use. Ordinarily, analysis under the first factor centers on "whether the new work merely 'supersede[s] the objects' of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and

to what extent the new work is 'transformative.'" *Campbell*, 114 S. Ct. at 1171 (citations omitted). Because works that are transformative are more likely to promote science and the arts, transformative works are likely to be found to be fair uses, whereas works that merely copy the original are likely to be found to be infringements of the copyrighted work. However, the Supreme Court has noted in *dictum* that "[t]he obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution." *Id.* at n.11. Thus, although the transformative value of the coursepacks is slight, the fact that the coursepacks are "multiple copies for classroom use" preserves MDS's claim of "fair use."

Further, the transformative value is slight but not nonexistent. The coursepack is essentially a new product comprising selected portions of other works, and perfectly customized to the classroom professor's individualized purpose. A professor may select precisely the materials that he feels are most instructive in the course, with constant opportunity to alter the whole, from time-to-time, by altering the mix. Coursepacks are particularly helpful in newly conceived interdisciplinary courses that draw small portions from a number of traditional, established disciplines. The publishing industry does not offer such highly customized and current materials, and indeed is not equipped to do so.

The other element of the first "fair use" factor is whether the purpose of the use is commercial or nonprofit and educational. *Id.* at 1174. The "fact that a publication [is] commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use." *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 562 (1985). The central inquiry "is not whether the sole

motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price." *Id.*

The coursepacks at issue are "used" at two levels. One "use," MDS's production and sale of the coursepacks, is clearly a for-profit "use," and one, the students' use of the coursepacks in the classroom, is entirely non-profit and educational. The publishers argue that the only relevant "use" under the first factor in this suit against MDS is MDS's sale of the coursepacks to students, not the use of the purchased coursepacks in the classroom. We disagree. Congress specifically mentioned "*teaching* (including *multiple copies* for classroom use)," § 107 (emphasis added), as an illustration of a possible fair use. The language of section 107 incorporates copying (implicit in "multiple copies") *within* the illustrative use of "teaching." Congress specifically anticipated the use of "multiple copies" for the purpose of "teaching"; we cannot examine the production of multiple copies in a vacuum, ignoring their educational use. The copying in this case is not a use unto itself; it is the mechanical component of the process that makes the material available for classroom use. The language of the statute, "including multiple copies for classroom use," requires us to consider copying as an integral part of "teaching." Therefore, we consider *both* the mechanical production of the copies and the classroom use of the excerpts in evaluating "the purpose and character of the use" and its commercial or nonprofit educational nature.

Because Congress "eschewed a rigid, bright-line approach to fair use," *Sony*, 464 U.S. at 448 n.31, our mandate is to conduct "a sensitive balancing of interests," *id.* at 455 n.40, considering all the circumstances. We must determine whether MDS stood "to profit from exploitation

of the copyrighted material without paying the customary price." *Harper & Row*, 471 U.S. at 562. In the context of this case, we find the undisputed fact that MDS can produce "multiple copies for classroom use," at a profit, for less than it would cost the professors or students to produce them to be significant. The publishers declined at oral argument to argue that the professors and students may not copy these excerpts and assemble them privately for their own educational purposes. The professors and students, who might otherwise copy the materials themselves, have assigned the task of copying to a professional service that can perform the copying more efficiently. On these facts, the for-profit provision of this service does not weigh against a finding of fair use. Here, MDS obtains a profit by providing a service. MDS charges on a per-page basis, regardless of content; MDS does not extract an extra fee for reproducing materials that are copyrighted. MDS does not "exploit" copyrighted material within the meaning of *Harper & Row*, 471 U.S. at 562, because its fee does not turn on the content of the materials, copyrighted or not, that it copies. It does not, of course, select the materials to be copied or determine the amount to be excerpted. The business of producing and selling coursepacks is more properly viewed as the exploitation of professional copying technologies and the inability of academic parties to reproduce printed materials efficiently, not the exploitation of copyrighted, creative materials. We hold that the Copyright Act does not prohibit professors and students who may make copies themselves from using the photoreproduction services of a third party in order to obtain those same copies at less cost.

Thus, the coursepacks fit within the exception to the "transformative" quality requirement, and the predominant character of the use of excerpts in coursepacks is not

commercial but "nonprofit educational." The first factor therefore favors a finding of fair use.

B.

The second fair use factor, "the nature of the copyrighted work," 17 U.S.C. § 107(2), recognizes that fair use is more difficult to establish when the work being used is at "the core of intended copyright protection." *Campbell*, 114 S. Ct. at 1175. Factual compilations, such as telephone book listings, with only a small element of creativity and originality may be used more freely than creative works. *Feist*, 499 U.S. at 348-51. The materials copied in this case are much closer to the core of work protected by copyright than to the mere compilations of raw data in the phone books in *Feist*. The excerpts used in the coursepacks are substantially creative, containing original analysis and creative theories. Although some of the copyrighted works contain non-original material not protected by copyright, each excerpt contains far more than the "minimal degree of creativity" that qualifies it as "independently created by the author" and therefore original. *Id.* at 344-48.

The fact that the excerpts in this case are extracted from works that may be categorized as "non-fiction" does not mean that any use is fair use. Rather, monopoly protections accrue "equally to works of fiction and nonfiction." *Harper & Row*, 471 U.S. at 546. Copyright protections are intended to induce the creation of new material of potential historical value, not just fictional works, and therefore extend to the excerpts here at issue.

The second factor, on these facts, does little more than confirm that the works at issue are protected by copyright and may only be used "fairly." Thus, the fair use

examination properly proceeds to evaluate factors three and four to determine whether this use of the excerpts is fair.

C.

The third factor considers "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." 17 U.S.C. § 107(3). In the context of a musical parody's use of a copyrighted song, the Supreme Court interpreted this factor to inquire whether the quantity and value of the materials used were reasonable in relation to the purpose of the copying, noting that "the extent of permissible copying varies with the purpose and character of the use." *Campbell*, 114 S. Ct. at 1175. As the Supreme Court acknowledged, "[t]he facts bearing on this factor will also tend to address the fourth [factor, which evaluates market effect], by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives." *Id.* Thus, we ask whether such substantial portions of a copyrighted work were used that a coursepack is "composed primarily of [the] original, particularly [the original's] heart, with little added or changed" such that the coursepack merely supersedes the copyrighted work, "fulfilling demand for the original." *Id.* at 1176.

There is no evidence that the six excerpts in the coursepacks are so substantial as to supersede the original works. The publishers have submitted a declaration stating that, in accordance with established practices, permission would have been denied, even if sought, with regard to the excerpt from *Public Opinion*, by Walter Lippmann. The publisher considers the excerpt so lengthy and the published edition sufficiently inexpensive that the book should have been purchased rather than copied with permission, for a

fee. The declarant opined that copying 46 pages would adversely affect book sales, but offered no factual evidence in this regard. The fact that the publisher would prefer the book to be purchased is not relevant to our analysis. Each of the professors who delivered the materials at issue to MDS signed a statement that he would not otherwise have assigned the copyrighted work to the class. Nothing in the record contradicts these declarations.

The lengthiest excerpt used in one of the coursepacks comprised only 30% of *Farewell to the Party of Lincoln: Black Politics in the Age of FDR*, by Nancy J. Weiss, the original copyrighted work. Other excerpts ranged from 5% to 18% of the original works. There is no evidence to suggest that even the 30% selected from Weiss's book extracted the heart of the work rather than just those portions that the professor deemed instructive for his limited classroom purposes. *Cf. Harper & Row*, 471 U.S. at 565-66. Given the uncontroverted declarations of the professors that they would not have chosen to assign the original works even if copied excerpts were not available, there is no basis for us to conclude that the portions extracted from the copyrighted works were so substantial that the resulting coursepacks superseded the originals. As the district court noted, the six excerpts at issue in this case "are truly 'excerpts,' and do not purport to be replacements for the original works." *Princeton*, 855 F. Supp. at 910.

The record cannot support a finding that the copyrighted works at issue were excerpted so substantially that the coursepacks superseded the original works. Thus, the third factor favors a finding of fair use.

D.

The fourth fair use factor is "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4). Under this factor, courts must consider the extent of market harm caused by the particular actions of the alleged infringer and "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original." *Campbell*, 114 S. Ct. at 1177 (internal quotation marks omitted). The fourth factor is the single most important element of fair use, *Harper & Row*, 471 U.S. at 566, and "must take account not only of harm to the original but also of harm to the market for derivative works." *Id.* at 568.

Because the record before us contains no evidence that the market for the original work, or for derivative works, was affected by the use of excerpts in coursepacks, the resolution of this factor turns on the assignment of the burden of proof on market effect. The *Sony* Court assigned the burden of proof on market effect to the party alleging infringement, 464 U.S. at 451, whereas the *Campbell* Court assigned the burden of proof on market effect to the proponent of the fair use defense, 114 S. Ct. at 1177-79.[1] The rule articulated in *Sony* is the one that is applicable to this case because both *Sony* and the case at hand involve noncommercial uses of a copyrighted work whereas

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[1]*Campbell*, 114 S. Ct. at 1177-79, held that, because fair use is an affirmative defense, "its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets," and that a silent record on the fourth factor "disentitled the proponent of the defense" to summary judgment.

Campbell articulated the rule for commercial uses of a copyrighted work. A commercial use may be presumed to affect the market whereas no such assumption of market effect may be made with regard to a nonprofit educational use. *Sony*, 464 U.S. at 451.

In *Sony*, the Court held:

> A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. . . . What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

Id. Accordingly, because we have determined that the use of the excerpts at issue in the coursepacks is for nonprofit educational purposes, we do not apply a presumption of market harm against MDS's use.

Rather, it is the publishers' burden to demonstrate at least a meaningful likelihood that future harm to a potential market for the copyrighted works will occur. Works or uses that creators of original works would "in general develop or license others to develop" make up the market for potential derivative uses. *Campbell*, 114 S. Ct. at 1178. The plaintiffs did not demonstrate that the coursepacks affected the market for the original copyrighted works or the

potential market for derivative works, such as *published* anthologies, nor did they demonstrate any "meaningful likelihood of future harm," *Sony*, 464 U.S. at 451, to any market. Rather, the plaintiffs limited their allegations and demonstrations of "market effect" to evidence of lost permission fees resulting from defendants' refusal to seek permission and pay fees for the copying and selling of excerpts from copyrighted works.

Evidence of lost permission fees does not bear on market effect. The right to permission fees is precisely what is at issue here. It is circular to argue that a use is unfair, and a fee therefore required, on the basis that the publisher is otherwise deprived of a fee. The publishers must demonstrate a likelihood that MDS's use of the excerpts replaces or affects *the value* of the copyrighted works, not just that MDS's failure to pay fees causes a loss of fees, to which the plaintiffs may or may not have been entitled in the first instance. Given the uncontroverted fact that professors would not have assigned the copyrighted works in the absence of available coursepack compilations of excerpts, it appears that there is no damage to the market for the original work.

Photoreproductions of limited excerpts, even if bound, are poor substitutes for a published work for any use beyond the precise scope of the course. For example, it is unlikely that students who wish to build a personal library of books from their college years for future reference will retain loosely bound photoreproduction coursepacks of limited excerpts; unwieldy coursepacks may be inconvenient and unattractive to display and may or may not contain the material sought later in life.

Moreover, the students who used the coursepacks were not a market for purchase of the original works; the professors would not otherwise have required students to purchase the original works. If it had any effect at all, use of the excerpted materials enhanced the prospect that the original works might later be of interest to the student. Students might purchase the copyrighted works when, for example, taking other courses in the same discipline, conducting more extensive research into a subject "touched upon" in an excerpt, or doing graduate work in a broader field to which the excerpted material later appeared relevant and was recalled.

Therefore, we must conclude that there is no evidence of market effect and that the fourth, and most important factor, weighs decisively in favor of "fair use."

E.

The four factors specifically set forth in section 107 for consideration are not an exclusive list of the factors relevant to a fair use determination. We confront here an additional consideration. More than one hundred authors declared on record that they write for professional and personal reasons such as making a contribution to the discipline, providing an opportunity for colleagues to evaluate and critique the authors' ideas and theories, enhancing the authors' professional reputations, and improving career opportunities. These declarants stated that their primary purpose in writing is not for monetary compensation and that they advocate wide dissemination of excerpts from their works via coursepacks without imposition of permission fees. The fact that incentives for producing higher education materials may not revolve around monetary compensation is highly relevant.

Copyright law seeks to encourage the use of works to the greatest extent possible without creating undue disincentives to the creation of new works. The inclusion of excerpts in coursepacks without the payment of permission fees does not deprive authors and inventors of the rewards that the record indicates authors value, such as recognition. Finding that the excerpts at issue here were used fairly would deprive the authors of their share of permission fees assessed for the copies. However, the record indicates that monetary compensation is a secondary consideration for authors in this field, and the permission fees, while significant in the aggregate to publishing companies, are likely to amount to a mere pittance for individual authors. MDS's use of the copyrighted works appears to provide the authors with incentive to create new works, thereby advancing the progress of science and the arts, rather than to discourage them from doing so.

Thus, an additional factor, incentives to create in this specialized field, weighs in favor of a finding of fair use.

VI.

Because the statutory factors, plus author incentives, dictate a finding of fair use, we conclude that MDS did not infringe upon the copyrights of the publishers in this case. We **REVERSE** the district court and order summary judgment for the defendants on the basis of fair use.

DAVID A. NELSON, Circuit Judge, concurring in part and dissenting in part. A generation ago, I suspect, this would have been an easy case for us. The notion that it could be "fair use" for a commercial vendor, acting without authorization from the copyright holder, to copy and sell as

much as 30 percent of a copyrighted work of scholarship is a notion that would once have seemed patently absurd.

Changes in technology, and concomitant changes in commercial duplication services and in teaching practices, may have made such a notion seem less patently absurd today. Indeed, my colleagues' rationale for concluding that the defendants' unauthorized coursepacks represent a fair use of the copyrighted materials impresses me as sufficiently plausible to justify reversal of the district court's finding of willfulness. I concur in today's judgment insofar as it vacates the enhanced damages awarded on the strength of the district court's finding that the defendants acted willfully.

I do not concur in the majority's resolution of the fair use question itself. The question of fair use ought to be decided in favor of the plaintiff publishers, in my view, or at the very least ought to be the subject of a trial.

I

Of the four statutory factors that must be considered in determining whether a particular use of a copyrighted work is "fair," the most important is the one set forth in 17 U.S.C. §107(4). See *Harper & Row Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 566 (1985), citing 3 M. Nimmer, *Copyright* §13.05[A], at 13-76 (1984). I turn first to this factor, "the effect of the use upon the potential market for or value of the copyrighted work."

The burden of proof as to market effect rests with the copyright holder if the challenged use is of a "noncommercial" nature. The burden rests with the alleged infringer, on the other hand, if the challenged use is

"commercial" in nature. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984). My colleagues on the panel conclude that the plaintiff publishers have the burden of proof because the use being challenged here is "noncommercial." I respectfully disagree.

It is true that the use to which the materials are put by the students who purchase the coursepacks is noncommercial in nature. But the use of the materials by the students is not the use that the plaintiff publishers are challenging. What the publishers are challenging is the duplication of copyrighted materials for sale by a for-profit corporation that has decided to maximize its profits — and give itself a competitive edge over other copy shops — by declining to pay licensing fees to the holders of the copyrights.

The defendants' use of excerpts from the books at issue in this case is no less commercial in nature than was The Nation Magazine's use of the excerpts from President Ford's book in *Harper & Row*. Like the students who purchase unauthorized coursepacks, the purchasers of The Nation did not put the contents of the magazine to commercial use — but that did not stop the Supreme Court from characterizing the defendant's use of excerpts from the copyrighted book as "a publication [that] was commercial as opposed to nonprofit . . . ." *Harper & Row*, 471 U.S. at 562. And like the use that is being challenged in the case now before us, the use challenged in *Harper & Row* was "presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Id.*, quoting *Sony*, 464 U.S. at 451.

The strength of the *Sony* presumption may vary according to the context in which it arises, and the

presumption disappears entirely where the challenged use is one that truly transforms the original work into a new artistic creation. See *Campbell v. Acuff-Rose Music, Inc.*, 114 S.Ct. 1164, 1176 (1994). The case at bar involves mere duplication for commercial purposes, as I see it, but I readily concede that the presumption may be weaker in the present case than it would be in many other contexts. There *is* a presumption of unfairness here, nonetheless, and I am not persuaded that the defendants have rebutted it.

If I am wrong about the existence of the presumption — if the challenged use is not commercial, in other words, and if the plaintiff publishers have the burden of proving an adverse effect upon either the potential market for the copyrighted works or the potential value of the works — I believe that the publishers have carried the burden of proving a diminution in potential market value.

One test for determining market harm — a test endorsed by the Supreme Court in both *Sony* and *Harper & Row* — is evocative of Kant's categorical imperative. "[T]o negate fair use," the Supreme Court has said, "one need only show that *if the challenged use 'should become widespread, it would adversely affect the potential market* for the copyrighted work.'" *Harper & Row*, 471 U.S. at 568, quoting *Sony*, 464 U.S. at 451 (emphasis supplied in part). Under this test, as I read the record, it is reasonably clear that the plaintiff publishers have succeeded in negating fair use.

The record shows that most of the copy shops that compete with the defendants in the sale of coursepacks pay modest "permission fees" for the privilege of duplicating and selling excerpts from copyrighted works. In the early 1990s, it appears, the three plaintiffs were collecting

permission fees at a rate that approached a total of $.5 million a year. If copy shops across the nation were to start doing what the defendants have been doing here, this revenue stream would shrivel and the potential value of the copyrighted works of scholarship published by the plaintiffs would be diminished accordingly.

The defendants contend that the permission fee argument is circular. In support of this contention they cite the dissenting opinion in *American Geophysical Union v. Texaco, Inc.*, 37 F.3d 881, 900 *et seq.* (2d Cir.) (Jacobs, J., dissenting), *amended & superseded*, 60 F.3d 913 (1994), *cert. dismissed*, 116 S.Ct. 592 (1995), and a footnote in a Court of Claims decision, *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1357 n.19 (Ct. Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975). But the potential uses of the copyrighted works at issue in the case before us obviously include the selling of licenses to copy portions of the works for inclusion in coursepacks, and the likelihood that publishers actually will license such copying is a demonstrated fact. A licensing market actually exists here, as it did not in *Williams & Wilkins* or *American Geophysical*. I believe that this is a "protectable derivative market," to use the terminology employed by the Supreme Court in *Campbell*, 114 S.Ct. at 1178. If so, there is no circularity in saying — as I do say — that the potential for destruction of the protectable derivative market by widespread circumvention of the plaintiffs' permission fee system is enough, under the *Harper & Row* test, "to negate fair use."

My final point with regard to the fourth statutory factor is that an absence of market harm is not supported by the affidavits of the three professors who assigned one or more of the copyrighted works to be read by the students in

their classes. None of these affidavits shows that the professor executing the affidavit would have refrained from assigning the copyrighted work at issue if the position taken by the copyright holder had been sustained beforehand.

It is true that Professor Victor Lieberman, who assigned the excerpt from the Olson and Roberts book on America and Vietnam, raises questions about the workability of the permission systems of "many publishers." In 1991, Professor Lieberman avers, a Kinko's copy shop to which he had given materials for inclusion in a coursepack experienced serious delay in obtaining permissions from unnamed publishers. Professor Lieberman does not say that a timely permission could not have been obtained from the publisher of the Olson and Roberts book, however, and he does not say that he would have refrained from assigning the work if the copy shop had been required to pay a permission fee for it.

It is also true that the publisher of one of the copyrighted works in question here (*Public Opinion*, by Walter Lippmann) would have turned down a request for permission to copy the 45-page excerpt that the defendants included in a coursepack prepared to the specifications of Professor Donald Kinder. The excerpt was so large that the publisher would have preferred that students buy the book itself, and the work was available in an inexpensive paperback edition. But Professor Kinder does not say that he would have refrained from assigning the excerpt from the Lippmann book if it could not have been included in the coursepack. Neither does he say that he would have refrained from assigning any of the other works mentioned in his affidavit had he known that the defendants would be required to pay permission fees for them.

The third professor, Michael Dawson, assigned a 95-page excerpt from the book on black politics by Nancy Weiss. Professor Dawson does not say that a license was not available from the publisher of the Weiss book, and he does not say that the license fee would have deterred him from assigning the book.

II

The other statutory factors are less important, except insofar as they touch on the fourth factor. I shall deal with them relatively briefly.

A

As to "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," 17 U.S.C. §107(1), I have already explained my reasons for concluding that the challenged use is of a commercial nature. I recognize, of course, that the first sentence of 17 U.S.C. §107 lists "teaching (including multiple copies for classroom use)" as one of the purposes for which the reproduction of a copyrighted work may constitute a non-infringing fair use. The quoted language may or may not suggest that the professors themselves could properly make multiple copies of large excerpts from the copyrighted works without paying permission fees, but it does not suggest to me that independent contractors who are not members of the teaching profession are free to do so.

My colleagues find it significant that the defendant copy shop can profitably produce multiple copies for less than it would cost the professors or the students to produce them. Most of the copy shops with which the defendants

compete have been paying permission fees, however, and I assume that these competitors can still perform the copying on a more cost-effective basis than the professors or students can. This strikes me as a more significant datum than the ability of a black market copy shop to beat the do-it-yourself cost.

As to the degree to which the challenged use has transformed the original copyrighted work, which is another element in the first statutory factor, the majority opinion finds the transformative aspect of the coursepacks to be "slight." I agree. If you make verbatim copies of 95 pages of a 316-page book, you have not transformed the 95 pages very much — even if you juxtapose them to excerpts from other works and package everything conveniently. This kind of mechanical "transformation" bares little resemblance to the creative metamorphosis accomplished by the parodists in the *Campbell* case.

B

The second statutory factor, "the nature of the copyrighted work," is not in dispute here. The defendants acknowledge that the excerpts copied for the coursepacks contained creative material, or "expression;" it was certainly not telephone book listings that the defendants were reproducing.

C

The third statutory factor, "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," may have more significance for the 95-page excerpt from the black politics book than for the 17-page excerpt from the Vietnam book. But all of the

excerpts far exceed the 1,000 word limit that the legislative history of the Copyright Revision Act of 1976 suggests as a benchmark for "educational" copying. See H.R. Rep. No. 1476, 94th Cong. 2nd Sess. (1976); H.R. Conf. Rep. No. 1733, 94th Cong. 2nd Sess. (1976).

My colleagues would give no consideration to the legislative history of the Copyright Revision Act, their theory being that the statutory fair use factors are unambiguous. But the fair use issue has long been the most troublesome one in the whole law of copyright, see *Acuff-Rose Music, Inc. v. Campbell*, 972 F.2d 1429, 1439 (6th Cir. 1992) (Nelson, J., dissenting), and the 1976 legislation did not make it any less so. The Classroom Guidelines incorporated in the legislative history clearly lack the force of law, but this does not mean that we must shut our eyes to them altogether. See *Harper & Row*, 471 U.S. at 549-553, where the Supreme Court turned for guidance not only to the house report cited above, but to an earlier senate report "discussing fair use of photocopied materials in the classroom. . . ." *Id.* at 553. And see *Campbell*, 114 S.Ct. at 1170, where the Court likewise turned to the congressional committee reports for guidance.

The conference committee that reported out the bill enacted in 1976 did not consider the compilation of anthologies to be fair use. The defendants' coursepacks are anthologies, of course, and the excerpts they contain are much longer than the 1,000-word standard suggested as a safe harbor by the conferees. The guidance offered by the legislative history of the statute that codified the fair use doctrine is far from irrelevant, in my view.

III

I take as the text for my concluding part Justice Stewart's well-known exposition of the correct approach to "ambiguities" (see *Sony*, 464 U.S. at 431) in the copyright law:

> "The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. 'The sole interest of the United States and the primary object in conferring the monopoly,' this Court has said, 'lie in the general benefits derived by the public from the labors of authors.' . . . When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (footnotes and citations omitted).

The majority opinion attaches considerable weight to the assertions of numerous academic authors that they do not write primarily for money[1] and that they want their published writings to be freely copyable. The suggestion is that unlicensed copying will "stimulate artistic creativity for the general public good."

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[1]I imagine that most of these academics are acquainted with the pertinent dictum of Dr. Johnson, see *Campbell*, 114 S.Ct. at 1174, and to my ear, at least, their testimony has the ring of truth. One might almost view what they say as an admission against interest.

This suggestion would be more persuasive, I think, if the record did not demonstrate that licensing income is significant to the publishers. It is the publishers who hold the copyrights, of course — and the publishers obviously need economic incentives to publish scholarly works, even if the scholars do not need direct economic incentives to write such works.

The writings of most academic authors, it seems fair to say, lack the general appeal of works by a Walter Lippmann, for example. (Lippmann is the only non-academic author whose writings are involved in this case.) One suspects that the profitability of at least some of the other books at issue here is marginal. If publishers cannot look forward to receiving permission fees, why should they continue publishing marginally profitable books at all? And how will artistic creativity be stimulated if the diminution of economic incentives for publishers to publish academic works means that fewer academic works will be published?

If the decision in this case stands, and if our sister circuits follow our lead, it seems likely that some academics will find it harder to get their books published. Perhaps these academics will not perish as a result — electronic samizdats may turn out to be the wave of the future, for all I know — but book publishing as we have known it will clearly have taken a hit. An unfair hit, in my judgment.

I respectfully dissent from this court's resolution of the fair use issue.

APPENDIX C

OPINION OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN, FILED JUNE 9, 1994

[APPENDIX C]

Reported at 855 F. Supp. 905

PRINCETON UNIVERSITY PRESS, MACMILLAN, INC., and ST. MARTIN'S PRESS, INC.,
Plaintiffs,

v.

MICHIGAN DOCUMENT SERVICES, INC., and JAMES M. SMITH,
Defendants.

No. 92-CV-71029-DT

United States District Court, Eastern District of Michigan, Southern Division

June 9, 1994

Ronald S. Rauchberg, Herman L. Goldsmith, Law Firm of Proskauer, Rose, New York City, James E. Stewart, J. Michael Huget, Law Firm of Butzel Long, Detroit, MI, Jon A. Baumgarten, Law Firm of Proskauer, Rose, Washington, DC, for plaintiffs.

Susan M. Kornfield, Law Firm of Bodman, Longley, Ann Arbor, MI, for defendants.

ORDER ACCEPTING IN PART AND REJECTING IN PART MAGISTRATE JUDGE'S REPORT AND RECOMMENDATION AND GRANTING PLAINTIFFS'

MOTION FOR SUMMARY JUDGMENT AND DENYING DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT

HACKETT, District Judge.

This matter is before the court on cross-motions for summary judgment and/or dismissal.

The court has reviewed the file, the record, and the magistrate judge's report and recommendation and accepts in part and rejects in part the magistrate judge's recommendation. Objections to the report have been filed by both parties within the established time period. Responses to the objections have been filed by the opposing parties. All of these have been reviewed and considered by this judge.

The court hereby adopts the magistrate judge's report and recommendation in part as the findings and conclusions of this court. The court differs with the findings and conclusions of the magistrate judge only as they address the matter of willfulness and penalties to be imposed. Plaintiffs' motion for summary judgment is granted. Defendants' motions for summary judgment on infringement and statutory vagueness are denied.

The court adopts the following factual background as stated by the magistrate judge in the report and recommendation:

This is a copyright infringement case. The facts are not really in dispute. Plaintiffs are publishers of copyrighted works. Princeton Press is a not-for-profit entity; Macmillan and St. Martin's Press are for-profit

corporations. Each plaintiff operates a permissions department that passes upon requests for permission to copy excerpts from that plaintiff's works. Plaintiffs generally charge a fee for allowing others the privilege of copying portions of their works, which fees are usually shared with the authors. Sometimes, plaintiffs will grant permission to copy an excerpt at no charge; other times they may deny permission altogether if, for example, the excerpt is so large that plaintiff believes the book should be published instead.

Defendant Michigan Document Services, Inc. (MDS) is a Michigan for-profit corporation; defendant James M. Smith is the president and sole stockholder of MDS. Defendants provide photo reproduction services to professors and students; specifically, they are in the business of selling "coursepacks." Coursepacks are compilations of academic materials, selected and arranged by professors, which are then assigned to the students in the professors' classes. They may include excerpts from books, journal articles, newspaper articles, course notes or syllabi, sample test questions, and reference to further works. Professors deliver their coursepack materials to MDS and provide information as to the number of students expected to enroll in the class. MDS creates a master copy of all of the materials in the coursepack, creates a table of contents, identifies excerpts by author and name of the underlying work, numbers the pages and then binds the copies together. Professors do not receive compensation for bringing their coursepacks to MDS; they are sold to the students enrolled in a particular course and are not sold to the general public.

At the start of the 1992 winter semester at the University of Michigan, defendants prepared and sold multiple copies of the three unauthorized anthologies in suit to students at their Ann Arbor store. The three anthologies,

or coursepacks, included six excerpts photocopied from works owned by the three plaintiffs. The shortest excerpt copied by defendants was 17 pages. The longest was 95 pages. The other four excerpts ranged from 45 to 78 pages. Defendants' purpose was to profit from the sales of the anthologies. Defendants did not seek permission to copy any of the six excerpts which are the subject of this lawsuit, nor did they pay any royalties or permission fees for the use of the excerpts in suit before selling the three coursepacks to students.

The copying which is the subject of this litigation is but the tip of the iceberg: Although defendants did not retain records, they admit that they could have sold as many as 25,000 coursepacks in 1991 for approximately 700 different courses, and that they made coursepacks for a thousand different classes in 1992. Moreover, defendants' computer lists show that defendants copied at least 2,900 copyrighted excerpts in connection with the 1992 winter term at the University of Michigan (Ann Arbor), the time and place where the copying in suit occurred. These lists cover only one semester, at one of fourteen schools at which defendants admit they sell or have sold coursepacks. Defendant Smith has also publicly stated his "best guess" that the six excerpts alleged in this case are part of a considerably larger group of 10,000 to 15,000 copyrighted excerpts copied each semester.

Plaintiffs have filed a motion for summary judgment contending that the operable facts are not in dispute and that they are entitled to a judgment of infringement as a matter of law, as well as injunctive relief, statutory damages and reasonable attorney fees. Defendants oppose summary judgment, basically contending that their coursepacks are a

"fair use" of the materials under statutory and case law, and object to the relief requested.

In their objections to the report and recommendation of the magistrate judge, as well as in their various pleadings, the defendants raise numerous reasons and arguments why they should be permitted to use copyrighted materials without paying while realizing a profit for themselves. They argue that they are doing so because the practice has been widespread and on-going for 19 years, publishers have not been able to document sales loss, that their practice has not hurt the publishers, and that in essence everything that they are doing, they are doing for the students and professors for educational purposes.

Defendants apparently recognize that they are using copyrighted materials, and candidly admit that they are doing so without seeking permission from the publishers, although there are clear and relatively simple procedures in place for them to do so. They contend that they should be accorded the same rights, privileges and courtesies extended to students, and argue that they "stand in the shoes" of the students.

Defendants also are candid in admitting that the practice of not seeking permission from publishers has given them a market advantage because they are able to charge less for their services than their competitors charge. In making this argument, they acknowledge that other copy houses similarly situated recognize the copyrighted interests, the protected materials, the property of others, and pay the required copyright fee for use of copyrighted materials. The record is clear that the competitor copy service companies follow the procedures, get the required approval, and provide coursepack material to students. Some universities

have taken it upon themselves to notify the defendants that what they are doing is not acceptable and violates copyright laws as they understand them, and that they will not be ordering coursepack materials from the defendants. Notwithstanding these facts, the defendants have continued for an extensive period of time to take and use the property of others for their own personal gain. They excuse all of this by further suggesting that they do not agree with the law and asserting that they interpret the law differently than appellate courts that have addressed copyright infringement, and legal scholars who have counseled them against their practice. They would argue that their efforts to determine the law for themselves would excuse their conduct as it might be deemed willful.

This court is compelled to see this practice for what it is. The defendant is taking the property of another without right or permission, using that property for personal gain. There simply is no excuse for this conduct. How often this court hears as an explanation for illegal conduct a statement or argument that "the law is wrong, so I just chose not to be bound by it." There are procedures to change the law; it is not to be violated.

Copyright law has been carefully drafted to accommodate the various needs, rights and interests of the parties. The Supreme Court explained the law as enacted:

> The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by

> the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

Sony Corp. v. Universal City Studios, 464 U.S. 417, 429, 104 S.Ct. 774, 782, 78 L.Ed.2d 574 (1984).

As carefully developed in the report of the magistrate judge, notwithstanding the monopoly-like privileges of copyright, Congress has also limited those exclusive rights with a codification of the "fair use" doctrine:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or photorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include —
>
> > (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
> >
> > (2) the nature of the copyright work;

> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and,
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. Sec. 107.

Generally, as noted by the Court in *Harper & Row v. Nation Enterprises,* 471 U.S. 539, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985):[1]

> Section 107 requires a case-by-case determination whether a particular use is fair, and the statute notes four non-exclusive factors to be considered.

Id. at 549, 105 S.Ct. at 2224.

> Fair use is a mixed question of law and fact . . . where the district court has found facts sufficient to evaluate each of the statutory factors, an appellate court "need not remand for further factfinding but may conclude as a matter of law that the challenged use does

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[1]*Harper & Row* held that a political commentary magazine which scooped (first published) excerpts (300-400 words) of President Ford's memoirs relating to the pardon of former President Nixon, without permission of the author or magazine to whom he had sold his rights, was not engaged in a "fair use" of the material.

> not qualify as a fair use of the copyrighted work."

Id. at 560, 105 S.Ct. at 2230 (citations omitted).

Purpose and Character of the Use

In *Harper & Row,* the Supreme Court analyzed the four factors set forth in Sec. 107. As to the purpose and character of the use, the Court stated:

> The fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use.... The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.

Id. at 562, 105 S.Ct. at 2231.[2]

In addition to whether the use of the copyrighted material is for commercial or non-commercial purposes, the courts have looked to whether the use is productive or non-productive. That is, has the defendant re-packaged or purely copied for profit, or has the defendant, by way of

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[2]Infringement may be found even in the absence of profit for copying. *See Marcus v. Rowley,* 695 F.2d 1171 (9th Cir.1983); *Hi-Tech Video v. Capital Cities/ABC,* 804 F.Supp. 950 (W.D.Mich.1992); and, *Encyclopedia Britannica v. Crooks,* 542 F.Supp. 1156 (W.D.N.Y.1982).

creative input or interpretation, added value to the work. *See Basic Books v. Kinko's Graphics,* 758 F.Supp. 1522, 1530 (S.D.N.Y.1991). Still:

> The distinction between "productive" and "unproductive" uses may be helpful in calibrating the balance, but it cannot be wholly determinative . . . . Copying for commercial gain has a much weaker claim to fair use than copying for personal enrichment. But the notion of social "productivity" cannot be a complete answer to this analysis.

Sony, 464 U.S. at 455, fn. 40, 104 S.Ct. at 795, fn. 40.

In the instant case, the magistrate judge found, and this court agrees that we have pure copying for profit. Defendants argue that the use of the coursepacks by the professors and the students is educational. However, the "use" of the material mentioned in the statute refers to use by the alleged infringer, not the consumers of the material who in this case happen to be students. Thus, a balancing of the parties' interests as to the first factor weighs heavily against a finding of fair use.

Nature of the Copyrighted Work

The second factor, the nature of the copyrighted work, also weighs against defendants. As a general rule, creative works are afforded greater protection by the fair use doctrine than are works of facts. *Acuff-Rose Music, Inc. v. Campbell,* 972 F.2d 1429, 1437 (6th Cir.1992). Most of the copyrighted materials from which the defendants copied excerpts in this case were original, interpretive works.

Even though they were historical or educational and not fictional, this factor should not weigh in defendants' favor.[3]

Amount and Substantiality of the Portion Used

The third factor under Sec. 107 is the amount and substantiality of the portion used in relation to the copyrighted work as a whole. The six excerpts relevant to this case contain from 17 pages to 95 pages copied, constituting from 5% to 30% of the authors' original works. They are truly "excerpts," and do not purport to be replacements for the original works. However, they are not insubstantial or incidental references. The statute requires an assessment of the portions used "in relation to the copyrighted work as a whole." Thus, defendants' argument as to how much (or little) copyrighted material was included in relation to the other materials in the coursepacks is irrelevant. As Judge Learned Hand was quoted in *Harper & Row*: "no plagiarist can excuse the wrong by showing how much of his work he did not pirate." 471 U.S. at 565, 105 S.Ct. at 2233. This court is persuaded that the amount and substantiality of the excerpts copied by defendants in the instant case weigh against a finding of fair use.

Effect of the Use upon the Potential Market

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[3]The works were *Farewell to the Party of Lincoln: Black Politics in the Age of FDR*, by Nancy Weiss; *Public Opinion*, by Walter Lippman; *Political Ideology: Why the American Common Man Believes What He Does*, by Robert Lane; *Social Psychology*, by Roger Brown; *The Nature of Human Values*, by Milton Rokeach; and *Where The Domino Fell: America and Vietnam 1945-1990*, by James Olson and Randy Roberts.

As the United States Court of Appeals for the Sixth Circuit has recently noted in *National Rifle Ass'n of America v. Handgun Control Federation of Ohio, et al.,* filed February 1, 1994, "Though not conclusive, the fourth factor ..." which is the effect of the use upon the potential market for or value of the copyrighted work, is " 'the single most important element of fair use.'" (citing *Harper & Row,* 471 U.S. at 566, 105 S.Ct. at 2233). "This factor is generally demonstrated by a showing that the purpose or character of the use was commercial." *Id.* Clearly, in the matter pending before this court the purpose of the use was commercial; not the use by the students but, rather, the use by the named defendants. They were reproducing the copyrighted materials without permission for their own gain.

In *Nat'l Rifle Ass'n, supra,* the Sixth Circuit quoted *Sony Corp.,* 464 U.S. at 451, 104 S.Ct. at 793, stating:

> The Court explained that whether an activity is commercial sets a presumption regarding which way the fourth factor points in a fair use analysis "although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, non-commercial uses are a different matter.... If the intended use is for a commercial gain, that likelihood must be presumed, but if it is for a non-commercial purpose, the likelihood must be demonstrated."

In this case, the copying and publication of materials in the coursepacks will reduce the market for the copyright holding materials. "Fair use, when properly applied, is

limited to copying by others which does not materially impair the marketability of the work which is copied." *Harper & Row,* 471 U.S. at 566-567, 105 S.Ct. at 2233-2234. "[T]o negate fair use one need only show that if the challenged use 'should become widespread, it would adversely affect the potential market for the copyrighted work . . . .'" *Id.* at 568, 105 S.Ct. at 2234.

> [O]nce a copyright holder establishes with reasonable probability the existence of a causal connection between the infringement and a loss of revenue, the burden properly shifts to the infringer to show that this damage would have occurred had there been no taking of copyrighted expression.

Id. at 567, 105 S.Ct. at 2234.

Plaintiffs have filed affidavits which show that permission fees are a significant source of revenues. Princeton Press received $42,700 from such fees from August 1991 through July 1992, and $17,300 from August 1992 through December 1992; St. Martins received $125,000 for fiscal (October) 1992; and MacMillan received (for classroom requests only) $237,415 from April 1991 through March 1992, and $241,000 from April 1992 through December 1992.

Defendants' argument, that the increased exposure of the copyrighted works through the excerpts should actually increase the sales of the original works, is unpersuasive for the reasons stated by the magistrate judge. The court finds that if defendants' practice of refusing to seek permission before copying and selling excerpts from copyrighted works

became widespread, there would be a significant loss of revenues to plaintiffs.

Under *Harper & Row,* after the plaintiffs establish such loss, the burden shifts to the infringer to show that the loss of revenue would have occurred even without the infringement. 471 U.S. at 567, 105 S.Ct. at 2234. Defendants have not met this burden. Thus, the fourth factor must also weigh against a finding of fair use.

In *Basic Books v. Kinko's Graphics,* 758 F.Supp. 1522 (S.D.N.Y. 1991), the district court in New York found almost identical reproduction of the copyrighted works for sale in coursepacks to constitute infringement and not within the purview of the fair use doctrine. The court finds *Kinko's* persuasive and not sufficiently distinguishable to be inapplicable to this case, as defendants would argue. However, this court has analyzed the merits of the parties' arguments independently on the basis of the report and recommendation and appellate courts' guidance on the factors to be assessed. Thus, the *Kinko's* decision alone is not determinative of the facts in this case.

After careful weighing of the four factors listed in the copyright infringement statute, as well as others outside of that non-exclusive list, the court finds that defendants have infringed upon plaintiffs' copyrights.

Injunctive Relief

The court specifically determines that in this fact situation the defendants should be enjoined from any future reproduction of any of plaintiffs' existing or future copyrighted works in light of these defendants' refusal to

abide by existing law and the unfounded challenges to copyright law and their right to use copyrighted works.

Willfulness

Plaintiffs contend that defendants' infringement was blatant and willful for which plaintiffs seek increased statutory damages. Defendants argue that their conduct was based upon a good faith, reasonable belief that their activities were permitted under the law.

> The question is posed as to what "willfully" means in this context. In other contexts it might simply mean an intent to copy without necessarily an intent to infringe. It seems clear that as here used "willfully" means with knowledge that the defendant's conduct constitutes copyright infringement. Otherwise there would be no point in providing specially for the reduction of infringement since any infringement which was nonwillful would necessarily be innocent. This seems to mean, then, that one who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, is not 'willful' for these purposes. [Still] one who 'recklessly disregards' a copyright holder's rights, even if lacking actual knowledge of infringement, may be subject to enhanced damages (emphasis added).

3 *Nimmer on Copyright,* Sec. 14.04[B][3], pp. 14-54 to 14-56.

As the magistrate judge explained, the Sixth Circuit has also held, under the patent laws, that "the existence of an honest doubt concerning the validity of a patent precludes a finding of willfulness." *Eltra Corp. v. Basic, Inc.*, 599 F.2d 745, 757 (6th Cir.), *cert. denied*, 444 U.S. 942, 100 S.Ct. 297, 62 L.Ed.2d 308 (1979).

The parties do not disagree as to the relevant standard (i.e. a subjective good faith, and an objectively reasonable belief), but disagree as to its application to the instant facts. Plaintiffs argue that defendants were aware of their copyrights, aware that the *Kinko* decision held such copying to be infringing, knew of the cases which held commercial copying to be presumptively unfair, and were told by their lawyer that continued copying was a "very risky proposition." Defendants argue that *Kinko's* was not binding upon them, that the statute facially allows "reproduction in copies ... for purposes such as ... teaching (including multiple copies for classroom use)," and point out that defendant Smith consulted counsel, authors, professors and students, as well as exhaustively researching the subject at the University of Michigan Law School library, and has been in the same business for 17 years.

Plaintiffs have carefully addressed the defendants' arguments in their objections to the willfulness findings in the report and recommendation. Plaintiffs argue and support with exhibits the fact that defendant Smith undertook research activities but that he could not reasonably have reached the conclusion that his activities were safe or lawful, or that *Kinko's* was wrongfully decided. The defendants continued to infringe the copyrighted works, knowing full well that they were at risk of being declared copyright infringers. The unrefuted record supports plaintiffs' position.

Based upon the record as a whole and having carefully considered the objections in the responses to the magistrate judge's report and recommendations filed by all the parties involved in this matter, this judge must find that the conduct of the defendants was willful. There is no challenge to the coursepacks per se, but rather to the failure to pay the copyright holders by the parties seeking to sell to others the copyrighted works for a profit. The defendants simply did not agree with what the law required and chose to interpret the law for themselves notwithstanding appellate court opinions and the advise of experts in the field. Contrary to defendants' argument, case law is not in "hopeless conflict." An extensive effort to find law to support their conduct, when they were unable to do so, does not excuse defendants' violation of the established copyright law. They proceeded recklessly at their own peril and should not be surprised that they are now called upon to answer for this unjust enrichment.

Contrary to the defendants' arguments, it is not the students who will be penalized or who will suffer from the finding of willful infringement. Nothing supports the argument that students' costs for the coursepacks will double or triple, especially since other companies are in compliance with the law and are still charging competitive rates. Rather, the defendants will be called upon to compete with others who have elected not to violate the copyright law and they will lose their substantial advantage in the competitive market. Nothing supports the defendants' arguments that they were doing this for the students. They clearly were doing it to realize profit for themselves. Their position was unreasonable and it was a reckless disregard of the copyright holders' property rights. There are ways to challenge court's opinions and court decisions. One does not do so by blatantly violating the law. Based upon the

record as a whole, defendants evidenced a lack of good faith in their position. The enhancement of statutory damages was provided to deter this kind of deliberate conduct.

Statutory damages range from a minimum of $500 to a maximum of $20,000 per infringed work. If the infringement was "willful," the damages may be increased to $100,000 per work; if the infringement is found to be innocent (defendant was not aware and had no reason to believe it was infringing) the damages may be reduced to $200.

Substantial damages do appear necessary to deter defendants' future conduct, particularly as they argue to this court that if injunctive relief is granted, it should be limited to the specific publishers involved in this matter and the noted or specifically identified copyrighted works. This evidences an intent on the part of the defendants to continue their present course of conduct and to shift to the plaintiffs the burden of seeking relief in court every time defendants choose to do so. It is the responsibility of the defendants to obey the law. As they are enjoying a substantial profit at the expense of others, they will continue to do so without a strong admonition from this court. Statutory damages therefore are awarded in the amount of $5,000 per infringed work for a total of $30,000. Defendants are cautioned that if they continue such conduct and future reproduction of plaintiffs' copyrighted works without permission, they should anticipate they will be required to pay the maximum enhancement under the statute.

Attorney Fees

It is appropriate in a case such as this that the plaintiffs recover their attorney fees because the copyright

law ultimately serves the purpose of enriching the general public through access to creative works and plaintiffs are encouraged to litigate meritorious infringement claims. The magistrate judge's award of reasonable attorney fees in this case is clearly justified. Copyright law must be protected.

CONCLUSION

For all the foregoing reasons, plaintiffs' motion for summary judgment hereby is GRANTED. Plaintiffs are awarded $30,000 in statutory damages, costs, and reasonable attorney fees (amount to be determined by the court upon filing of supporting documentation, if the parties cannot agree.) Further, defendants are ENJOINED from copying any of plaintiffs' existing or future copyrighted works without first obtaining the necessary permission. Defendants' motions for summary judgment hereby are DENIED.

APPENDIX D

AFFIDAVITS OF PROFESSORS WHO SELECTED THE EXCERPTS AT ISSUE

[APPENDIX D]

DECLARATION OF MICHAEL C. DAWSON

I, Michael C. Dawson, under penalty of perjury, state:

1. I am an Associate Professor of Political Science at The University of Chicago located in Chicago, Illinois. I have been teaching for nine years, and began my teaching career at Harvard University.

2. It is my responsibility to select and assign appropriate educational materials for students enrolled in the classes that I teach. I have used coursepacks (photocopies of supplemental readings that I select and assign for use by the students who enroll in my courses) in connection with my teaching responsibilities for six years. Where I believe certain books to be appropriate to the course I am teaching, I assign those books. Where I desire to expose the students to certain ideas, opinions, points of view, empirical analyses, concepts, theories, and facts, I may select portions of copyrighted works and include those excerpts in a coursepack. In choosing excerpts, I am not substituting the excerpt for the book; I am using the excerpt where I have already decided that I am not going to assign the book for the course.

Coursepacks are critical to my ability to effectively teach students in the manner I think is best for them, and critical to the free flow of information, ideas, opinions, and theories. In addition to the thirty excerpts that I selected for use by my students in connection with their coursework in my political science course "Black Americans and the Political System" (the coursepack for which is part of the

basis for the lawsuit against MDS and Jim Smith), I also assigned nine books.

3. The coursepack for that class demonstrates how excerpts not only provide the student with critical insight and information, but how the selection of the excerpts and the inclusion in a collection of reading materials provides a unique learning function. Part of the purpose of my selection of excerpts for that class was to demonstrate that Black Americans are not a monolithic political entity. Accordingly, I selected certain readings that provided a spectrum of opinion and analysis, demonstrating that on any particular issue, opinions can be militant, liberal, conservative, moderate, radical, etc. Students would not have been able to understand the range of views, or to understand the theoretical frameworks of those views, or the assumptions inherent in those views, or the facts relied upon to support those views, if certain of those excerpts were not included in the coursepack. Certain excerpts are of greater value because they are read in connection with other readings assigned for the course as a whole.

Black Politics is a very recent discipline. In order to understand it, students must understand aspects of psychology, sociology, anthropology, economics, philosophy, law, political science, and other disciplines. If I could find everything I needed in a textbook, I would seriously consider assigning that textbook. I cannot, and thus I use supplemental reading materials.

4. The excerpts and coursepacks selected by me are used for purposes of teaching (including multiple copies for classroom use), scholarship, criticism, development of students' analytic skills, contribution to the students' overall

understanding of a discipline, comparison and contrast with other assigned readings, and maintaining the currency of materials discussed in the classroom. In my view, coursepacks positively affect the market for and value of the copyrighted work which appears in the coursepack, because greater exposure and accessibility means that more students are likely to become interested in a particular book, author, or subject matter. I have no reason to believe that my use of excerpts in coursepacks harms the market for or value of any copyrighted work excerpted in the coursepack.

The excerpt from the book by Nancy Weiss is only a limited portion of the underlying work. The excerpt reflects a particular analysis of an issue, and is not a summary of the entire work or a substitute for the entire work. Furthermore, the excerpt does not negatively affect the market for the underlying book, because the amount used is both qualitative and quantitatively small. Generally speaking, in a scholarly book there is no such thing as the "critical part of the work;" different professors would select different excerpts from the same work; and sometimes I select different portions from the same work at different times; depending upon the focus for a particular course. Thus, I did not select the "critical part" of the book by Ms. Weiss; I selected the portion that furthered the focus of that course.

5. I do not make money on the sale of coursepacks that I create. The excerpts are selected and arranged by me and not by the staff of the copying service which I use. The alternative to having copyshops prepare coursepacks is to either do without the excerpts, or to put the excerpts on reserve reading at the library, and reserve reading is not a substitute for a student's personal copy of the assigned readings.

6. Education has been and is being injured when coursepacks become less available, or unavailable, or when the price doubles or triples. My first-hand knowledge with the permission system required by many publishers indicates that their systems are terrible — unworkable, unfair, unreasonable, and contrary to the needs of education.

7. I am an author. I write and have my works published for professional and personal reasons which may include making contributions to my discipline, having my colleagues evaluate and respond to my ideas and theories, enhancing my professional reputation, receiving recognition in my chosen field, and enhancing my career opportunities. My primary purpose for writing and publishing is not for monetary compensation. In fact, not only do I not get paid by the publisher for writing of scholarly articles, I have to pay the publisher to have them published.

I want my works to be used by my colleagues in coursepacks when they deem appropriate, and I object to barriers to such use. I desire that my works be widely disseminated, and I think that education, scholarship, research, and the advancement of knowledge is seriously impaired by barriers that restrict dissemination of works.

8. Any publisher to whom I have assigned my copyright has required me to do so as a condition of publication. Any publisher who limits access of professors and students to my ideas and my writings is in breach of what I consider their duty to me to make good faith efforts to disseminate my works. Limiting educational use of my works, when the use has not been proven to significantly harm the sale of the book from which the excerpt was taken, is not a proper use of the copyright I had to assign to the publisher.

9. The role of the entity doing the photocopying is to provide a service to the students in making these materials available so that the students do not each have to waste their time locating the sources and making their own photocopies for personal use. The fact that the entity doing the copying receives revenues in excess of expenses is a good way to make sure that the service of making photocopies for educational purposes continues to be available to the educational community.

Dated: March 3, 1993

s/_____
Michael C. Dawson

DECLARATION OF DONALD R. KINDER

I, Donald R. Kinder, under penalty of perjury, state:

1. I am a Professor of Political Science, Professor of Psychology, and Research Scientist, Center for Political Studies, at The University of Michigan located in Ann Arbor, Michigan. I have been teaching since 1975, when I began teaching at Yale University.

2. It is my responsibility as a professor to select and assign the educational materials I believe are most appropriate for students enrolled in the classes that I teach. I have used coursepacks in connection with my teaching responsibilities for about ten years. If I believe that a certain book is the most appropriate material for students, I consider assigning that book. I use excerpts of materials when there are selected ideas, opinions, points of view, empirical analyses, theories from other disciplines, information, or concepts to which I wish to expose my students and discuss further as a part of the course work. I do not use an excerpt from a book when I would otherwise assign the book itself. Coursepacks are critical to my ability to effectively teach students in the manner I think is best for them, and critical to the free flow of information, ideas, opinions, and theories. My coursepacks are intended for use solely by the students enrolled in my courses, and are not "anthologies."

3. The excerpts and coursepacks are used for purposes of teaching, scholarship, criticism, development of students' analytic skills, contribution to the students' overall understanding of a discipline, comparison and contrast with other assigned readings, and for maintaining the currency of materials discussed in the classroom. In my view such use

positively affects the market for and value of the copyrighted work, because greater exposure and accessibility means that more students are likely to become interested in a particular book, author, or subject matter. The notion that my use of excerpts in coursepacks harms the market for or value of the underlying copyrighted work is simply wrong.

The excerpts selected by me and included in my coursepack for Winter 1992 (including the excerpts by Walter Lippmann, Robert E. Lane, Roger Brown, and Milton Rokeach, at issue in the lawsuit brought against Michigan Document Services and Jim Smith), were used by my students in connection with my teaching activities and their course work. The excerpts are only a limited portion (both qualitatively and quantitatively) of the underlying works from which they were excerpted. The excerpts reflect a particular perspective, point of view of the author, contribution to the discipline, and the like, and are in no way a substitute for the entire work. Furthermore, use of the excerpts have no harmful effect on the market for or value of the underlying works; indeed, I believe that they increase the market for and value of the underlying works.

I might use other excerpts from these works at a different time, depending on the particular pedagogical purpose. The concept that there is such thing as a critical part of an academic work is generally not true, and is not true in this case.

4. I do not make money on the sale of coursepacks that I create. The excerpts are selected and arranged by me and not by the staff of the copying service that I use. The alternative to having copyshops prepare coursepacks is to either do without the excerpts, to allow the

students (informally and in a less organized fashion) to try and figure out how to share time and expenses so as to create their own personal copies (which is an inexcusable waste of time when there is service, MDS, willing to do so and to do so at a reasonable cost and at a high quality), or put the excerpts on reserve reading at the library; however, reserve reading is not a substitute for a student's personal copy of the assigned readings.

5. Education has been and is being injured when coursepacks become less available, or unavailable, or when the price doubles or triples. My first-hand knowledge with the permission system required by many publishers indicates that their systems are unworkable, unfair, unreasonable, and contrary to the needs of education.

6. I am an author. I write for professional and personal reasons which may include making contributions to my discipline, having my colleagues evaluate and respond to my ideas and theories, enhancing my professional reputation, receiving recognition in my chosen field, and enhancing my career opportunities. My primary purpose for writing is not for monetary compensation. I want my works to be used by my colleagues in coursepacks when they deem appropriate, and I object to barriers to such use. I desire that my works be widely disseminated, and I think that education, scholarship, research, and the advancement of knowledge is seriously impaired by barriers that restrict dissemination of works. I know from speaking with many of my colleagues that they share my views as to the problems recently created by publishers. In my opinion as an educator, if professors are unable to reproduce modest excerpts of copyrighted works for use in connection with their teaching activities and their students' education, a student's educational experience will be diminished, their

costs of education will be increased unnecessarily, and critical information will become unavailable or less available. I regard as highly artificial the distinction as to whether the students' personal copies of the excerpts are made at the library, in my department, or at a commercial copyshop.

7. Any publisher to whom I have assigned my copyright and who limits access of professors and students to my ideas and my writings is in breach of what I consider their duty to me to make good faith efforts to disseminate my work. Limiting educational use of my work, when the excerpts have not been proven to harm the sale of my work as a whole, is a misuse of the copyright which I assigned to the publisher.

8. The role of the entity doing the photocopying is to provide a service to the students in making these materials available so that the students do not each have to waste their time locating the sources and making their own photocopies for personal use. The fact that the entity doing the copying receives revenues in excess of expenses is a good way to make sure that the service of making photocopies for educational purposes continues to be available to the educational community.

Dated: March 4, 1993 s/_____
Donald R. Kinder, Ph.D.

DECLARATION OF VICTOR B. LIEBERMAN

I, Victor B. Lieberman, under penalty of perjury, state:

1. I am a Professor of History at The University of Michigan located in Ann Arbor, Michigan. I have been teaching college students since 1975.

2. As a professor, it is my responsibility to select and assign appropriate educational materials for students enrolled in the classes that I teach. I have used coursepacks (photocopies of supplemental readings that I select and assign for use by the students who enroll in my course) in connection with my teaching responsibilities for 9 years. Where I believe books to be appropriate and available to students, I assign books. I use excerpts from books when I wish to expose my students to certain theories, facts, ideas, opinions, and perspectives. I often choose excerpts that are from sources that are obscure, out of print, or otherwise not readily available to students. I may use excerpts to illustrate a point that is peripheral to the main focus of the course, but which I think may be useful to the students in developing their interest in the subject matter, and exposing them to different ideas, and in providing some depth about the field.

3. The excerpts and coursepacks are used for purposes of teaching, scholarship, criticism, development of students' analytic skills, contribution to the students' overall understanding of a discipline, comparison and contrast with other assigned readings, and for maintaining the currency of materials discussed in the classroom. Where I assign an excerpt from a book as required reading for a class, it is because I have made a decision that I was not going to assign the book to the students. I cannot justify requiring

my students to purchase a book when they only need access to a small percentage of it.

4. In my view, the use of excerpts probably has a positive effect on the market for and value of the copyrighted work which was excerpted, because greater exposure and accessibility means that more students are likely to become interested in a particular book, author, or subject matter. I do not agree with the assertion by the publishers in the case against MDS that my use of excerpts in coursepacks harms the market for or value of the underlying copyrighted work.

5. Coursepacks are critical to my ability to effectively teach students in the manner I think is best for them, and critical to the free flow of information, ideas, opinions, and theories. The excerpt selected by me ("Distorted Images, Missed Opportunities, 1975--1990" by James S. Olsen & Randy Roberts) and included in my coursepack for Winter 1992 for the class History 218: "History of Vietnam Era" (which is part of the basis of the lawsuit brought against Michigan Document Services and Jim Smith), are used by my students in connection with their coursework. The excerpts are only a limited portion of the underlying work from which it was excerpted; the excerpt reflects a particular perspective of the author and in no way replaces the contents of the book. The amount used is both qualitatively and quantitatively small. I rarely excerpt more than 10% of a book.

As a general matter, there is no such thing as "the" critical part of a work, and is not true in the case of the Olsen & Roberts excerpt in this litigation. Indeed, I often select a portion of a book because it is a marginal aspect of the book, and not because it reflects the synthesis of the

entire book. Depending upon the focus of certain classes, I might excerpt portion of the same book for different classes, depending upon the pedagogical purpose for using the excerpt.

6. I do not make money on the sale of coursepacks that I create. The excerpts are selected and arranged by me and not by the staff of MDS. The alternative to having copyshops prepare coursepacks is to either not use the material, or to put the excerpts on reserve reading at the library, and reserve reading is not a substitute for a student's personal copy of the assigned readings. In my history class on the Vietnam War, I have had 450 students enrolled per class. It is simply not possible for reserve reading at the library to work in a class of that size, especially when all students need to read certain materials each week. Furthermore, when there are barriers between students and materials (such as having to go to the library reserve reading, making numerous trips until the readings are checked in, standing in line to reproduce their own copy of the readings, and repeating this process throughout the entire semester), I find that fewer students obtain access to the materials, fewer students read the materials, and fewer students are able to fully participate in discussions involving those materials. Thus, barriers such as the permission requirements of the publishers, and the required use of reserve reading instead of allowing copy shops to provide the photoreproduction services for the students, pose real problems for professors, students, and for the future of education. Enrollment in a course drops when it becomes too difficult to get the background information necessary to understand the subject about which the professor is lecturing.

7. Education has been and is being injured when coursepacks become less available, or unavailable, or when the price doubles or triples. My first-hand knowledge with the permission system required by many publishers indicates that their systems are unworkable, unfair, unreasonable, and contrary to the needs of education. I have had a disastrous experience attempting to have a copy shop that claimed to comply with the publishers' requirements handle my coursepack for the fall of 1991. I had given my excerpts to Kinko's in the summer of 1991 for my winter class semester. By December they had only managed to obtain two permissions for the 25 excerpts. I called them on December 21 and they said they were unable to implement the permissions system demanded by the publishers so as to obtain the permission. I took my coursepack to MDS as a result of the failure of Kinko's to be able to handle the logistics of obtaining permission.

8. I am an author. I have written a book entitled "Burmese Administrative Cycles: Anarchy and Conquest *circa* 1580 to 1760." It was published in 1984 by Princeton University Press. I have never received any royalties in connection with the sale and distribution of that book. I wrote it in order to contribute scholarship to the field, and for the professional and personal enhancement associated with writing a scholarly work. I would be most unhappy if students and professors were unable to readily excerpt portions of that work and use them in connection with their studies and teaching, as that would defeat the very reason for writing the book, and the only real incentive for writing it. I write and have my works published for professional and personal reasons which may include making contributions to my discipline, having my colleagues evaluate and respond to my ideas and theories, enhancing my professional reputation, receiving recognition in my

chosen field, and enhancing my career opportunities. My primary purpose for writing and publishing is not for monetary compensation. I want my works to be used by my colleagues in coursepacks when they deem appropriate, and I object to barriers to such use. I desire that my works be widely disseminated, and I think that education, scholarship, research, and the advancement of knowledge is seriously impaired by barriers that restrict dissemination of works. The current procedures demanded by publishers make coursepacks impossible.

9. Any publisher to whom I have assigned my copyright required me to do so as a condition to publishing. If a publisher then goes ahead and limits access of professors and students to my ideas and my writings, I believe they have failed in their duty to me to use their efforts to disseminate my work. Limiting educational use of my work, when the excerpts have not been proven to significantly harm the sale of my work as a whole, is a misuse of the copyright which I assigned to the publisher.

10. The role of the entity doing the photocopying is to provide a service to the students in making these materials available so that the students do not each have to waste their time locating the sources and making their own photocopies for personal use. The fact that the entity doing the copying receives revenues in excess of expenses is a good way to make sure that the service of making photocopies for educational purposes continues to be available to the educational community.

Dated: March 3, 1993 s/_____
Victor B. Lieberman, Ph.D.